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## NEWS SUMMARY

### GENERAL

#### Queen set on Zambia visit

The Queen is still determined to open the Commonwealth Prime Ministers' Conference in Lusaka, Zambia, next month in spite of the threat posed by Joshua Nkomo's terrorist forces. A Buckingham Palace statement said: "At present it is the firm intention that the Queen will be going." Mr. Robert Muldoon, New Zealand's Prime Minister, has said he fears the Queen's plans could be shot down by the "relatively undisciplined" guerrillas. One of the main problems facing the Queen's advisers is that the conference site is close to the bases being used by the Patriotic Front forces fighting a government of Bishop Abel Muzorewa in neighbouring Zimbabwe Rhodesia.

#### Iran 'traitors'

Iran's most prominent anti-Shah guerrilla group, the Marxist Fedayan-E-Khalq, has been denounced by Dr. Mehdi Bazargan, the Prime Minister, as traitors to the new Islamic regime.

#### More bombings

Basque guerrillas continued their bombing attacks against Spanish tourist resorts and machine-gunned a Spanish train from Paris near the Spanish border. Serious flooding, and an hotel fire in Majorca added to the tourist industry's troubles. Back Page

#### Change of heart

Malaysia will stop its policy of pushing back to sea Vietnamese refugees if Vietnam and Western countries agree to set up camps to process them for resettlement, Tan Sri Ghazali Shafie, the Interior Minister, said.

#### Wade beaten

Britain's Virginia Wade was beaten 6-4, 6-0 by Evonne Cawley in her Wimbledon quarter-final match. The number one seed, Miss Martina Navratilova, beat Australia's Dianne Fromholtz 2-6, 6-3, 6-0. Page 8

#### Alcohol problem

The drinks industry is concerned about the growing problem of alcohol abuse among young people. Sir Derrick Holden-Brown, chairman of the Brewers' Society, said. Page 8

#### Mulder charged

Dr. Connie Mulder, the disgraced former South African Minister of Information, is to be charged with contempt for refusing to give evidence to the government inquiry into the former Information Department's secret operations. Page 3

#### Llewellyn banned

Roddy Llewellyn, friend of Princess Margaret, was banned from driving for 18 months and fined a total of £180 at Marylebone after pleading guilty to driving with excess alcohol in his blood, careless driving and failing to stop after an accident.

#### Briefly...

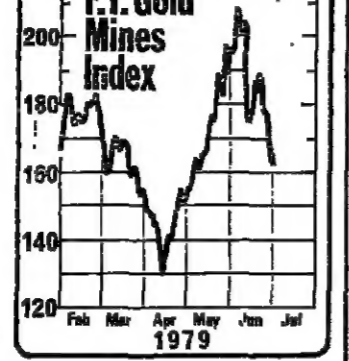
Former Prime Minister Edward Heath will captain Britain's Admirals Cup challenge for a second time when the series begins on July 30. String of earthquakes caused severe damage to the Panamanian Pacific coast town of Puerto Armuelles. Israel plans to extract uranium from under the Red Sea as fuel for nuclear power plants. At least 23 people died and 28,000 made homeless in five days of torrential downpours in southern Japan.

### BUSINESS

#### Equities gain 1.7; Golds off 5.9

GILTS continued to advance as the rising sterling attracted widespread investments. The long-dated tap soon ran out and gains in long stretched to nearly three points. Shorts also moved up. The Government Securities index rose 1.19 to 73.28.

#### EQUITIES gained despite initial uncertainty and the FT 30-share index closed 1.7 up at 473.1. However, the gold mines index fell by 5.9 to 161.5.



FT Gold Mines Index

STERLING rose by 85 points to \$2.1955, a four-year high, and its trade-weighted index rose sharply higher at 70.1 (69.5). The dollar's trade-weighted index eased slightly to 85 (85.1).

GOLD rose by \$2 in London to \$282.

WALL STREET was \$96 lower at 832.02 near the close.

MIDLAND BANK is to end its reliance on consortium banking for international expansion in view of its planned \$250m takeover of the Chicago-based Walter E. Heller financial group. Back Page

PETER PAN Bakeries, the Belfast bread company which closed with a loss of 390 jobs, is complaining to the Ombudsman over the Government's handling of financial aid for the shut-down. Back Page

TURKEY has sent a letter of intent to the International Monetary Fund regarding a \$300m (£138m) stand-by deal which could lead to further \$1.7bn (£785m) loans from Western countries. Page 2

CHINA became the largest borrower on the world credit market in the second quarter, raising about \$15bn (£8.3bn) on an annual rate, says the OECD. Page 26

MINERS' leader Joe Gormley warned Left-wingers not to rock the boat by militancy on wages. Tory policies or pit closures when the industry's position was strengthened by the energy crisis. Back Page

INDUSTRIAL workers in State industries are likely to need wage increases of about 20 per cent this year, says an independent pay comparability unit. Page 9

HIRE PURCHASE sales rose by 9.1 per cent in May as consumer spending was spurred by fears of a Budget rise in VAT. Page 6

INSIDER DEALING will be covered in the next Companies Bill, although the precise definition of "inside information" still remained to be resolved, the Commons was told. Page 9

### COMPANIES

MERCURY SECURITIES, the merchant banking and metal trading group, saw attributable profits rise from £10.32m to £14.86m for the year to March 31. Page 20 and Lex

SUTCLIFFE SPEARMAN and Co., the engineering concern, reports a pre-tax loss of £407,000 for the year to March 31, against a £566,000 profit previously. Page 21

## Postal monopoly 'at risk' unless efficiency improves

BY NICK GARNETT AND JOHN LLOYD

The Government will review the Post Office's monopoly over letters—unless postmen agree to increase efficiency, Sir Keith Joseph, the Industry Secretary, told the Commons yesterday.

But Sir William Barlow, the Post Office chairman, admitted yesterday that the Union of Post Office Workers had "effectively stymied" any moves to increase productivity.

He said: "I have been unable to convince the union membership to accept change in return for opportunities for more pay."

In his statement, Sir Keith acknowledged that the recent backlog of mail was now being cleared, and that many of the problems which had contributed to postal delays were beyond the corporation's control.

He added: "These problems have only confirmed that much needs to be done to improve the efficiency and productivity of the postal service. I have made this clear to the chairman of whom I have great respect."

Sir Keith drew attention to the offer of higher wages for increased efficiency which had been turned down by the UPW at its annual conference in May, after being agreed earlier in the year by the UPW executive.

The Post Office is continuing to negotiate with the UPW. The crucial elements which the Corporation wants agreement on are:

- Acceptance of temporary labour during the summer months.
- Acceptance of mail traffic measurement.
- Co-operation on mail diversions from one office to another.
- Abolition of excessive overtime working in certain offices, and proper levels of manning.

The Corporation rejects the claims made by the UPW that it is short of 10,000 postmen, and believes that it could solve many of its problems, especially in London, with an extra 2,000 workers in sorting offices.

Postal productivity has been declining for at least a decade. In 1971, for example, 175,000 postmen handled 11.9bn pieces of mail. Now, the same number of workers handle 9.9bn pieces of mail.

Mr. Norman Stagg, the UPW's acting general secretary, said last night that the union would resist any attempt to break the Post Office monopoly.

He said: "We know that the consequence will be that the most profitable areas will be hived off by cowboy operators with the Post Office left with the uneconomic parts."

The union's view is that the Post Office's biggest labour problem is its inability to recruit staff because pay and conditions are uncompetitive.

Mr. Stagg, who had further negotiations with the Post Office yesterday over improving the use of manpower, said Sir William did not help by attacking the only union which was not in dispute with the Post Office.

He's provoking a situation he would be the first to wish to avoid. I'm sick and tired of the Post Office blaming the UPW for its difficulties."

Parliament, Page 9  
Editorial comment, Page 18

## Pound closes at three-year high

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

STERLING rose sharply yesterday against both the dollar and the main Continental currencies.

The trade-weighted index, measuring the value of sterling against a basket of other currencies, jumped by 0.8 points to 70.1, the highest closing level since March, 1976. This is an increase of 4 per cent in less than three weeks since the Budget.

The recent appreciation has been much more than reflection of the dollar's weakness. In the past week, the pound has risen by nearly 14 per cent against the Deutsche Mark, for example, to DM 4.031.

Sterling touched a peak of \$2.1955 at one stage yesterday, before slipping slightly to close 85 points up at \$2.1955, its best closing level for nearly four years. The dollar was generally firmer than last week, though dealers suspect continued central bank intervention, including the U.S. Federal Reserve.

The Bank of England again appeared to have remained on the sidelines and allowed demand to be reflected in the exchange rate. An indication of the scale of intervention may be provided by the official reserve figures for June due this afternoon.

The steady rise in the pound during the last fortnight has exacerbated the Government's policy dilemma. There is a general commitment to a strong exchange rate for counter-inflationary reasons. But there is also growing concern in industry about the further erosion of an already poor competitive position.

Sir Geoffrey Howe, Chancellor of the Exchequer, is likely to consider further relaxation of exchange controls. These would be in addition to the changes announced in the Budget and would remove artificial props to the rate. The move could involve an easing of controls on portfolio investment.

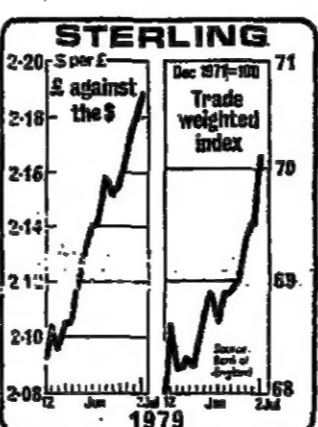
The authorities seem reluctant to consider an early cut in the Minimum Lending Rate from 14 per cent. They believe this is the right level to control domestic monetary pressures, notably the buoyancy of bank lending. The official view is that a cut in MLR might have little effect on inflows from abroad.

The gilt-edged market seems to be slightly more optimistic about a cut in MLR in the next month to six weeks.

The long-dated 1989 tap stock was quickly exhausted yesterday morning after the sell-off of the 1984 tap on Friday. The 1989 stock rose by more than 24 points yesterday. There were gains of over 20 points in some other long-dated stocks and rises of a point at the short end.

The exhaustion of the two taps means that the Government has tied up nearly £1.2bn gross of gilt sales in the current banking month to July 18. This is because there are further calls on the two partly paid stocks in the next ten days. These sales should help to hold down the rate of growth of the money supply.

Editorial comment, Page 18  
Money Markets, Page 25  
Lex Back Page



STERLING \$ against the \$

## Ladbroke accused of corruption

BY JAMES BARTHOLOMEW

LADBROKE GROUP, with interests in casino gaming, credit betting, hotels and holidays, was accused yesterday of habitual breaches of the Gaming Act 1968 and of corrupting a member or members of the police.

The allegation was made by Mr. Michael Kempster, QC, on behalf of the police at South Westminster licensing magistrates court. The police and the Playboy Club of London, a subsidiary of the U.S. public company, are objecting to the renewal of three of Ladbroke's London casino licences.

Mr. Kempster warned the magistrates that "it may be suggested that the Argente stable has been cleansed." But one of the directors of the casino subsidiaries had resigned only in April. The resignation of another had not yet been officially notified to the police.

He added: "Mr. Stein (the chairman of the Ladbroke Group) remains at the centre of the web."

Mr. Kempster said Ladbroke set up an unusual marketing exercise called "Operation Six" in 1977. The name referred to six rival casinos in London, the Playboy Club, the Knightsbridge Sporting Club, the Clermont, Crockett's, the Curzon House Club and the Casanova Club.

Mr. Ian Withers, a private investigator, was hired by Ladbroke to obtain the registration numbers of cars parked near the five rival casinos, said Mr. Kempster.

Lists of these numbers were then sent to Leicester where Mr. Rodney Widows, Ladbroke's security officer for the provincial casinos, procured and paid for the names and addresses of the car owners from the Nottingham branch of the police computer. He paid 50p per name.

The names were then sent back to London where two women "marketing assistants" would approach the people concerned with gifts of fruit, flowers or chocolates and invitations to dine at one of the clubs. Once there, the guests would become members and gamblers.

Last summer the police visited various offices of Ladbroke. Although the group's paper shredders "enjoyed their busiest if not their finest hour," said Mr. Kempster, the police found

Continued on Back Page

## Shell petrol up 7-8p at pumps

BY SUE CAMERON

SHELL OIL UK put up the wholesale price of its four star petrol by 6.2p a gallon last night, partly reflecting the disarray over the Organisation of Petroleum Exporting Countries' two-tier price structure for crude oil.

Shell's petrol price rises are higher than those announced by Esso at the weekend. Unlike the Esso increases, they take no account of the higher crude prices announced by OPEC last week. They are merely a response to the increased cost of North Sea and Kuwaiti oil.

North Sea oil is among the most expensive crudes and the price of Kuwaiti oil has gone from \$16.40 to \$19.30 since June. Both Esso and Shell buy North Sea oil but Esso also has access to the comparatively cheap Saudi crude.

Shell UK said yesterday that this gave Esso an advantage when it came to putting up the prices of such oil products as petrol.

The 6.2p a gallon increase in the wholesale price of Shell's four star petrol is expected to put up pump prices by between 7p and 8p. Esso has increased its wholesale price for four star by only 5p, adding 6p to its pump prices.

Shell yesterday gave a warning that it would almost certainly be putting up the whole sale prices of its petrol again this year, probably in August, when the recent OPEC announcements are fully understood.

The OPEC price rises are expected to add a further 1p to 2p to the price of Shell petrol. Shell obtains 55 per cent of its oil from the North Sea, 35 per cent from Kuwait and 10 per cent from various other sources. Increases in the prices of Kuwaiti and North Sea crude last month added an extra £200m to Shell's annual costs.

Esso is believed to take about half of its crude from the North Sea, about 40 per cent from Saudi Arabia and about 10 per cent from other sources.

But the new OPEC price for Saudi marker crude is still only \$18 a barrel; less than Kuwaiti oil before the OPEC meeting in Geneva last week. And Esso's petrol price rises take into account the latest OPEC oil price increases.

Shell is hoping that Kuwaiti oil prices will not rise much during the next few months. But it expects North Sea oil to increase in price to \$23.50 — the ceiling under the new OPEC two-tier price system.

Continued on Back Page  
Parliament, Page 9

## Saudi oil output to be increased

BY JAMES BUCHAN IN JEDDAH AND RICHARD JOHNS IN LONDON

SAUDI ARABIA is to increase its oil production on a temporary basis, it announced yesterday. But it did not specify by how much and for what period.

The news was broken by the state radio, which quoted an official at the royal court. However, neither the Arabian American Oil Company nor, it seems, even the Saudi state oil corporation Petromin was informed of the decision in advance.

Sheikh Ahmed Zaki Yamani, Saudi Oil Minister who was at his country retreat near Sunningdale, Berkshire, having discussions with a Mexican oil delegation, was not available for comment as the oil industry urgently sought clarification.

The Saudi move would have been taken to help to stabilise oil prices at the levels set by last week's ministerial conference of the Organisation of Petroleum Exporting Countries which set an upper limit of \$22.50 for member states' premium crudes. It could be also seen as a response to the agreement reached at the Western economic summit in Tokyo on limiting oil imports.

Significantly, though, the announcement from the royal court said that an increase was necessary to provide more money for the kingdom's development programme.

Last summer and again at the beginning of this year the Saudi Government experienced something of a financial squeeze as expenditure caught up with development. Now, however, revenues should be well in excess of requirements.

The explanation given is more likely to be intended to placate other members of OPEC. Two at least—Iraq and Libya—are known to have made their assent to the compromise on prices conditional on fellow producers not raising their output.

How far Saudi Arabia is prepared to go in raising production from its main fields above the present official ceiling of 8.5m barrels a day remains to be seen. It is not merely a question of what the kingdom is politically willing to contemplate but what rate is technically possible.

Before the OPEC conference Dr. Abdul Hadi Tahir, the Governor of Petromin, said that there would probably be an increase "perhaps, but probably not, as high as 9.5m barrels a day."

Sheikh Yamani last week calculated the current short-fall in supplies at 800,000 barrels a day, and that may be the level of increase the Saudi Government has in mind.

If Saudi Arabia does increase output, there may be some danger of other producers, with their earnings a barrel consolidated at up to 70 per cent more than last year, retaliating by cutting output.

The main threat would probably be from Libya, whose leader, Colonel Muammer Gaddafi, last week suggested that his country might halt output for a year or two. Yesterday he slightly clarified his remarks, saying that any such plan would have to be thoroughly studied and referred to conferences of the people for debate.

The Soviet factor in world oil supplies, Page 18

## Yamani warning

In the meantime, Sheikh Yamani, in an interview with Newsweek magazine, has delivered the most stern and explicit Saudi warning yet about the possible consequences of a failure to solve the Palestinian problem.

Asked to what degree he felt that the failure to achieve a comprehensive Middle East settlement was contributing to the oil crisis, he replied: "For the time being, so immediate impact; but there is a very real and very serious threat."

Sheikh Yamani did not speak of the "oil weapon," but asserted: "We know from the Iranian crisis that the sudden absence of 5m barrels a day

from world markets, even at a time of surplus and extra capacity from Saudi Arabia, created panic.

"You can safely assume that now that we've lost that extra cushion and if something happens in the area that causes a further drop of 5m barrels a day, as it well may, the price will quickly shoot up to \$50 a barrel."

2 in New York

Spot (\$5.175-1.770) 17.00 17.00  
1 month 0.75-0.85 17.00 17.00  
3 months 1.25-1.35 17.00 17.00  
12 months 2.00-2.10 17.00 17.00

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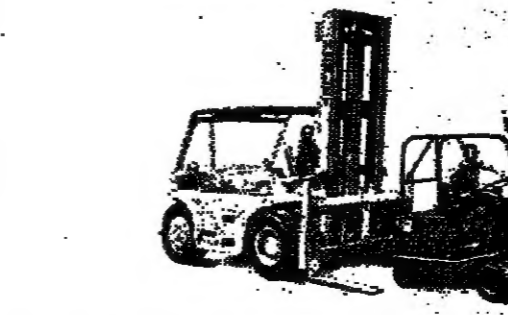
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CHIEF PRICE CHANGES YESTERDAY	
(Prices in pence unless otherwise indicated)	
RISERS	
Treas. 12pc 83 A	2997 + 1
Treas. 15pc 1985	51224 + 21
Excheq. 12pc 1989	1898 + 1
A (15 pc)	5171 + 1
Barclays Bank	450 + 8
Brown (J)	5132d + 14
Cape Inds.	208
Live Discount	105 + 6
Courts (Frm.)	142 + 4
Zyode	517 + 10
Teywood Williams	88 + 4
Lloyds Bank	328 + 12
Joda. Midland Inds.	117 + 7
EDW	50 + 6
UEPC	176 + 5
AFI Furniture	175 + 14
NatWest	350 + 12
ush and Tompkins	145 + 13
FALLS	
Barlow Rand	243 - 7
Duwy	314 - 6
Electronomponis	415 - 8
Hancer Invs.	73 - 5
Ladbroke	195 - 15
Waddington (J)	162 - 6
K. Lumpur Kepong	65 - 3
Ayer Hitam	265 - 15
Geevor	125 - 10
At suspension	

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General	6-8
Labour	8
Unit Trusts	31
Weather	34
World Trade News	5
World Value E	25
ANNUAL STATEMENTS	
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Continental & Ind.	22
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## EUROPEAN NEWS

## Turkey sends IMF letter of intent for \$300m loan

BY OUR FOREIGN STAFF

TURKEY YESTERDAY moved a few steps further down the tortuous road towards tidying up its financial relations with the West. A special courier of the Turkish Finance Ministry left for Washington with the country's letter of intent to the International Monetary Fund.

In Ankara the government reached a \$160m credit agreement with the World Bank while in London bankers were forecasting that a new \$400m loan could be signed "in the next three weeks."

The letter refers to a \$300m one-year agreement to replace the two-year \$450m stand-by agreement which Turkey reached with the IMF in April 1978. The letter had been initiated during talks held in Paris last month.

Since then a series of defections from the Government had raised the spectre of a political crisis but now Parliament recessed until November. The series of boycotts of parliament by the ruling Republican

People's Party has done little for its prestige—though the counterbalancing reports of deputies being offered their "weight in gold" to join the opposition.

The board of directors of the IMF is expected to vote on the new agreement with Turkey at a meeting scheduled for July 19. Finalisation of this agreement will open the way for Turkey to receive \$900m of "emergency aid" from members of the Organisation for Economic Co-operation and Development.

This aid is crucial for Turkey to be able to import the raw materials and semi-manufactures needed for factories to work closer to normal capacity. It is also essential if Turkey is to overcome its crippling shortages of petrol, pharmaceuticals and cooking fuels. Drivers have been issued with ration books but still face massive queues at the pumps which have petrol.

The banks which are arranging a \$400m loan for Turkey are also making its availability dependent on the country meeting its bridges with the IMF. Turkey has failed to meet the targets set out in the letter of intent agreed in April 1978.

However, the banks insist as well that before their new loan becomes available Turkey should have completed arrangements for tidying up its overdue debt. Here there is less emphasis on the arrears totalling up to \$1.7bn on unguaranteed supplies of credits than on the convertible Turkish Lira deposits—short-term bank-to-bank deposits whose foreign exchange risk was assumed by the Turkish central bank.

The convertible deposits being rescheduled total \$2.4bn. The group of seven large banks which have been co-ordinating the rescheduling is now hopeful that it may be possible to despatch drafts of a final agreement by the end of this week.

The group does not expect a final signing this month.

## Andreotti tries again

BY PAUL BETTS IN ROME

PRESIDENT SANDRO Pertini yesterday gave Sig. Giulio Andreotti, the outgoing Prime Minister, the mandate to try to form a new Italian government.

But the Christian Democrat leader's chances of succeeding himself for the third consecutive time in exactly three years appear very slim at this stage.

Sig. Andreotti is unquestionably the best qualified candidate to lead a new government. But last month's inconclusive general elections, combined with the decision of the Communist party to return to opposition unless given Cabinet seats and demands by the Socialists and the other smaller parties for a non-Christian Democrat Premier, will inevitably make Sig. Andreotti's task more difficult than usual.

Indeed, he is now already under pressure from a motley of political forces, not least his own Christian Democrat party. The failure of the Christian Democrats to make the expected significant advance in the June 4 polls has undermined the party's current top leadership, broadly composed of Sig. Benigno Zaccagnini, the secretary-general, Sig. Andreotti and Sig. Giovanni Gullotti, the former Christian Democrat chief whip.

The Zaccagnini-Andreotti-Gullotti team has been the main sponsor of the policy of so-called national unity of the last three years, which brought the Communists

into the Parliamentary majority and which has now been rejected by the electorate.

This policy appears to have brought disunity and discontent within the country's two main political parties, the Christian Democrats and the Communists.

At the weekend, Christian Democrat deputies elected as chief whip Sig. Gerardo Bianco, a little known political figure representing the Right of centre of the party, Sig. Bianco defeated in a second ballot Sig. Gullotti, the candidate of the party's leadership, eloquently reflecting the split within the party itself.

The election of Sig. Bianco is all the more significant coming only a few months before the key Christian Democrat congress in the autumn, when the current party leadership is likely to be challenged again.

The so-called "rebels," who have vociferously advocated that the party take a firmer anti-Communist stand, have clearly been strengthened by the disappointing election results.

But although Sig. Andreotti may be banking on a general closing in of ranks by his party to avert the appointment of a non-Christian Democrat Prime Minister, he is expected to be flatly opposed by the Communists.

After suffering their first electoral setback in some 30 years, losing as many as 2m votes, the Communists are now



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After suffering their first electoral setback in some 30 years, losing as many as 2m votes, the Communists are now

tion is having repercussions within the trade unions, now negotiating a series of major national labour contracts.

During the past few days there has been a sharpening of labour unrest throughout the country with picketing at a number of large factories blocked. In the case of the Fiat car conglomerate, the unions have also announced a boycott of all Fiat cars produced abroad and shipped to Italy. In certain instances strikes have degenerated into violence.

But Sig. Andreotti's biggest problems will come from the Socialists, without whose support he cannot form a working Parliamentary majority.

The Socialists, whose gains in the election fell significantly short of the party's expectations, are themselves split. But Sig. Bettino Craxi, the party secretary-general, has repeatedly stated he would not back Sig. Andreotti again.

Sig. Craxi, like the leaders of several other smaller parties, is now calling for the appointment of a non-Christian Democrat as Prime Minister to give a sense of political renewal and change to the country.

A number of non-Christian Democrat candidates are already being floated, including the Social Democrat Sig. Giuseppe Saragat, a former President of the Republic, and Sig. Bruno Visentini, the Republican outgoing Budget Minister.



Mr. Michael O'Kennedy, Ireland's Foreign Minister.

## Irish take over European stewardship

By Stewart Dalby in Dublin

IN THE now-established tradition that small countries probably produce better presidents for the EEC Council of Ministers than the big ones, Ireland, which assumed the presidency for six months last weekend, will be working hard as the EEC's de facto foreman until the end of December.

Unlike the hesitant French presidency which preceded it, Ireland's stewardship will be characterised, one is constantly assured in Dublin, by well-thought-out agendas, meetings which start on time, and more important meetings actually take place. Ireland's Foreign Ministry has a full staff of competent, mainly young people, well versed in Europe, whose job it will be to make sure things run smoothly.

The French presidency, as some Irish officials see it, was marked by more than a few meetings which never took place, or by gatherings which were badly organised. What the French did not want to be discussed was not discussed.

Mr. Jack Lynch, the Prime Minister, is the leader of a country of just 3m people. When he addresses the opening of the European Parliament in two weeks, however, he will effectively be speaking as the nominal leader of nearly 300m people.

Symbolically, this leadership will be even more important when Mr. Lynch visits President Carter in the autumn. It will be very useful for Mr. Lynch to have, nationally at least, the weight of the EEC behind him.

For Mr. Michael O'Kennedy, the Foreign Minister, the presidency could be crucial.

Mr. O'Kennedy undoubtedly has the example of the only other time Ireland held the presidency (in 1975) in mind. Then, Mr. Garrett Fitzgerald, who now leads the main opposition party, Fine Gael, really made his name. By pushing out the contours of EEC policy, Mr. Fitzgerald became something of an international diplomatic star.

Mr. O'Kennedy's stewardship should see the signing of the second Lomé convention, and will include the delicate matter of dealing with the first directly elected European Parliament.

Mr. O'Kennedy, in short, has the rare chance of establishing a reputation abroad. If he does, it would do him no harm domestically, since he has long been tipped as a possible successor to Mr. Lynch.

The Prime Minister has now been his country's leader for over 10 years. The next election must be called by 1982, when he will be 62. He could well decide to step down.

There will be no shortage of contenders to take his place, including Mr. George Colley, the Finance Minister, Mr. Charles Haughey, the Health Minister, and Mr. Desmond O'Malley, the Minister for Industry, Commerce and Energy. Ireland's presidency, it is now clear, will be dominated by energy problems, and Mr. O'Malley, as head of the Council of Energy Ministers, should be in the thick of things.

Relations with the directly elected Parliament will also dominate Ireland's presidency. Mr. Lynch has already spelled out his Government's policy on the Assembly. He does not believe it should be given more powers, and feels that Ireland's interests are best represented in the Council of Ministers.

The third area where Ireland will be active is in trying to increase the size of the Regional Fund, before the accession of Greece, Spain and Portugal.

Conversely, Irish Ministers will not be so keen to discuss a reform of the Common Agricultural Policy and the freezing of agricultural prices.

Since it has been a member of the Common Market, it has received something like £1bn from the CAP, whereas its contribution to the Community budget has been only one-tenth of this.

## Lisbon bid to form Government

BY JIMMY BURNS IN LISBON

PRESIDENT Antonio Ramalho Eanes yesterday met union leaders and representatives of the main employers' federations in the latest round of talks aimed at finding a solution to the three-week-old government crisis.

Since the resignation last month of the non-party Government led by Dr. Carlos Mota Pinto, the President has met the country's politicians, generals and leading industrial figures in an attempt to find the necessary consensus. Dr. Mota Pinto's administration has remained in a caretaker capacity.

The consultations are now believed to have entered their final stage, after a short interlude last week while the President visited Yugoslavia. Gen. Eanes is expected to address the nation later this week.

The political parties have already declared what they believe to be the best alternative to the outgoing Government.

A party-based Government capable of running the country until the next elections in 1980 has the support of the Socialist Party, the country's main political grouping.

This has been opposed by both the Social Democrats and Christian Democrats. Both parties want an election in October. They are also behind a proposal to hold a nationwide referendum to secure important changes to the constitution.

These would include the constitution's ruling that full elections have to be held next year even if there is an early poll this summer. The Social Democrats and Christian Democrats, convinced that Portugal has

moved firmly to the right, think an early election would be decisive and ensure a stable Government for at least the next five years.

Meanwhile, banking officials have confirmed that there have been continuing temporary interruptions in Portugal's negotiations with the IMF on a new standby agreement. Although both sides are believed to have reached broad agreement on credit and exchange rate policies, and the target for this year's balance-of-payments deficit, the talks have been complicated by the budget amendments and by the resignation of Dr. Jacinto Nunes, the Finance Minister. Although Dr. Nunes continues in a caretaker capacity, he is thought to be reluctant to sign an agreement of such importance.

Foreign Minister for three years under the second post-junta Government of Mr. Constantino Karamanlis, was well known during the junta period for insisting as the Colonels' Ambassador to the United Nations, that there were no political prisoners, and for rebutting claims of torture.

Mr. Roussos's defenders argue that he was considered an acceptable envoy by Britain, and this should be ample proof that he is a suitable candidate for the Brussels posting. He has, indeed, won praise in Britain for the quiet, serious way he has carried out his job.

## Dispute over Greek EEC envoy

BY GUY DE JONQUERES, COMMON MARKET CORRESPONDENT

A DELICATE controversy has arisen over the Greek Government's decision to nominate as its next ambassador to the EEC a career diplomat who previously served in the same capacity while his country was under the dictatorial rule of the Colonels.

Several senior members of the Commission are understood to have expressed private reservations about the choice, which they consider surprising in view of the Greek Government's repeated assertions that EEC membership should provide a solid guarantee that their country will remain democratic in the future.

While Mr. Roussos apparently represented the Colonels' regime loyally, his defenders point out that several other Greek career diplomats still serving in the Foreign Ministry did likewise. When the junta fell, there was no major purge of the Foreign Ministry. Indeed, Mr. Dimitrios Bitsios, who was

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## Swedish work hours cut 'would hit growth'

By William Dullforce in Stockholm

SWEDES WILL have to wait a long time for the 30-hour working week which is the official goal of their trade unions. Shortening the present 40-hour week by only 2½ hours would boost productivity but would still call for an increase in the number of employees from 173,000 and 235,000 in the number employed, according to the working hours advisory committee set up by the Government.

It would also create financial problems in the public sector and increase regional tensions because of the boost it would give to immigration from the provinces to the Greater Stockholm area.

A Parliamentary employment commission underlined earlier this year the difficulties involved in creating more jobs. The advisory committee now points out that a reduction in working hours would mean a substantially lower GNP growth rate for Sweden, if total employment did not rise faster than anticipated.

## Denmark drops plan for car restrictions

By Hilary Barnes in Copenhagen

THE Danish government has decided to drop its proposal for a car-free day a week. Its other energy saving measures, including tax increases which put up the price of oil, petrol gas and electricity by over 20 per cent, were approved by the Folketing (Parliament) at the weekend.

The government said it may come back to the car-free day idea if the tax increases do not cause a reduction in energy consumption. The idea was that car owners would decide which day to leave the car at home. A system of window stickers would let the police know on which day the cars were allowed on the road.

## Protest over Soviet censorship

BY DAVID SATTER IN MOSCOW

THE CONTROVERSY over Soviet censorship touched off by the production of the "Metropol" magazine, a collection of stories and poems that was condemned by the Soviet authorities — is now coming to a head.

Four of the Soviet Union's best known writers, who have threatened to resign from the official writers' union unless they are reinstated in the production of Metropol are re-instated in the writers' organisation.

Mr. Vassily Aksyonov, the novelist and screenplay writer Bella Akhmadullina, a poetess, Fazil Iskander, a novelist, and Andrei Bitov, a novelist, are the four writers who have threatened to resign. They are among the Soviet Union's best known and most widely-read literary figures.

Two other Metropol collaborators, Semyon Lipkin and Ina Lisnyanskaya, have said they will also resign from the union unless steps are taken to reinstate the two youngest and least known contributors to the magazine.

Metropol, Viktor Yezhov, a critic and Yevgeny Popov, a Siberian writer.

The Metropol magazine is an anthology of original prose and poetry by 25 Soviet authors, half of them writers "under the hammer" of the Soviet censors. It was given to the union on January 13, with the unprecedented collective demand that it be published exactly as written.

The writers' union angrily rejected Metropol but there are plans to publish the 700-page typewritten manuscript in the U.S.

## E. Berlin move splits coalition

BY ROGER BOYES IN BONN

LEADING FIGURES in the Free Democrats (FDP) and Social Democrats (SPD), partners in the ruling West German coalition, appear to be at odds again over their joint policy towards Eastern Europe, following East Germany's latest move to draw Berlin closer into its political orbit.

Herr Hans-Dietrich Genscher, the Foreign Minister and FDP chairman, strongly protested at the weekend against the East German parliament's decision directly to elect East Berlin city deputies to its ranks. Britain, France and the U.S. have also condemned the East German decision as a violation of the 1971 Four Power Agreement.

But at the same time, Herr Genscher has made clear that he is unhappy with the views of Herr Egon Bahr, the SPD party manager and formerly a key negotiator in some of the "Ostpolitik" treaties with Eastern Europe. Herr Bahr has urged the Government to consider a retaliatory measure against East Germany: the direct election of West Berlin deputies to the West German Bundestag (the lower house).

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## Oil worries W. German industry

BY ROGER BOYES IN BONN

WEST GERMAN manufacturers expect the business climate to deteriorate over the next six months, principally because of the recent round of oil price rises and overall energy problems. Nevertheless, they are generally sticking to their plans to step up production and order levels are high in all sectors.

These conclusions emerge from the monthly survey of business opinion carried out by the Munich-based IFO economic institute. According to the survey, many more manufacturing companies are now reckoning with rises in raw material prices and higher production costs.

The IFO survey shows that each sector has drawn predictably different conclusions from the energy crisis but the general sentiment is that of heavily qualified optimism.

The chemical industry is expecting a drop in demand from basic and producer goods sectors while the steel industry, by contrast, is reckoning with a continuation of the slight market upswing. It has been experiencing all year. The paper industry expects to suffer from serious supply problems in the next six months.

The capital goods sector is maintaining the good health it has shown over the past three months. Order levels were high in the electrical engineering and machine construction industries. But here too industrialists recorded uncertainty about the possible consequences of the energy crisis. Quite apart from

higher fuel costs, compulsory energy saving measures could bite into production and reduce margins.

A similar sense of restrained optimism came from wholesale traders in raw materials and semi-finished goods, who are reporting good business. Real turnover was up in May, especially for construction-related goods, which are riding the crest of the building boom.

Orders in hand for the construction industry stood at a seasonally adjusted 3.4 months at the end of May and companies reported that production would be increased over the next two months.

The industry's problem continues to be a lack of skilled workers.

## Bundestag faces its crisis of conscience over war crimes

THE WEST GERMAN Bundestag (the lower house) will today decide the fate of the so-called "statute of limitations on murder," which is proving to be one of the most delicate issues in the political life of post-war Germany.

Under the statute—due to take effect at the end of this year—people suspected of committing murder (including war-time genocide) 30 or more years ago may no longer be brought to trial.

The main legal justification for the statute, which has been extended twice now, is that it is extremely difficult to guarantee a fair trial after such a long time—witnesses have often forgotten the main details of the case and, especially in the case of war-time killings, witnesses are difficult to trace, having dispersed throughout the world.

The recent trial of 14 Majdanek concentration camp guards demonstrates the difficulties. Most of the witnesses were living in Eastern Europe, and many were ill and unable to testify in person. As a result, investigations lasted 16 years, and there was not enough evidence to convict some of the defendants. Between 1945 and

1978, over 34,000 cases were opened against suspected war criminals, but only 6,500 were convicted.

The issue, however, goes beyond the question of legal expediency, although this is the argument most frequently used by Christian Democrat politicians who support the statute. The underlying problem is whether some kind of accommodation should be reached with the past.

Was there any point, Herr Benno Erhard of the Christian Democrats, asked recently, in continuing trials of wartime murderers when the almost inevitable acquittals did nothing but damage the reputation of the Federal Republic and tarnish its image abroad.

Herr Erhard, in a debate earlier this year, referred to the previously "deep uncertainty." The truth is like an open book before us as far as the deeds are concerned—but it is dark and confusing when we examine the individual responsibility and personal guilt of the accused.

Many Social Democrats, and a few Christian Democrats, feel, however, that the statute should be extended or abolished altogether, if only out of

respect for the relatives of Nazi victims. The thought of a murderer not being brought to trial simply because he had hidden up to now is, they say, intolerable. Chancellor Helmut Schmidt has also called on the Bundestag to provide for the continued prosecution of Nazi offenders. If the statute is enforced, he has argued, former Nazis would be able to boast of their crimes without running the risk of imprisonment.

Herr Schmidt is also aware of the considerable consequences for Germany's standing in the world if immunity were granted to war criminals. There would above all be repercussions on Bonn's relations with Eastern Europe. Poland has been particularly assiduous in gathering evidence against German war criminals—218 of the 242 cases opened in 1977-78 were based on documents sent from Warsaw. Both the Soviet Union and Poland continue to try those of their citizens who were involved in genocide during the German occupation.

Both countries have warned Bonn against enforcing the statute. Israel and some West European countries have also expressed concern. Partly to meet this international criticism, Herr Werner Maihofer, a Free Democrat member of the Bundestag, and a former Interior Minister, has suggested that a strict distinction be drawn between murder and genocide. The statute of limitations could then be applied to cases of ordinary murder, while mass killings would still be liable to prosecution.

But this has raised some awkward legal questions. The statute of limitations, for instance, have already come into effect for such related crimes as deportation, so that a court would have to prove that the suspected murderer had actually pulled the trigger and was not just an accomplice to murder. The prosecution case would then become almost impossible to prove: after a 35-

year time lag, and after the harrowing experience of concentration camp life, identification of the murderer would be extremely difficult. Most witnesses were also denied watches and calendars when the crimes took place, causing further complications.

The Maihofer proposal has so far attracted little support in the Bundestag.

Yet supporters of the statute claim that its enforcement need not signify complicity about

senator in Bremen, have all been forced to resign because of a recent revelation about their war records.

With this kind of vigilance, some supporters of the statute have been saying, there is no need for foreign countries to fear that West Germany is becoming tolerant of Nazi crime. But it is not a "vigilance" which is not so much rooted in the quest for justice as in the search for party political advantage.

The case against a suspect is usually leaked initially to journalists which are politically opposed to the intended target, and the information is seized upon as legitimate ammunition by the local opposition parties.

To make the criticism stick, there has to be evidence that the politicians in question were more than just members of the Nazi party. Both the former Chancellor, Herr Kurt-Georg Kiesinger and the present President, Dr. Karl Carstens, were members, and Dr. Carstens was even a member of the SA brown shirts during the mid-1930s. There is no suggestion that either man was implicated in atrocities or political violence of any kind.

That past, though, is often portrayed (usually by left-wing critics) as a "black book" of political sins which preceded the present debate about the statute of limitations. The vote is to be treated as a matter of conscience, rather than a matter for party whips—but even this decision was arrived at after weeks of discussion between the parties.

Christian Democrats, in the midst of a struggle with the Bavarian-based Christian Social Union, over who should become the next candidate for Chancellor in the next Bundestag elections, have been anxious not to add to the list of their "public squabbles." There is a youth vote to be won, and general elections next year and the Christian Democrats do not want to be identified as the party which is "soft on criminals."

The Social Democrats and the Christian Democrats are also divided. The "free vote" is seen as the best formula to encompass such views as those of Herr Herbert Wehner, the Socialists' parliamentary leader. "Murder is murder and should not go unmentioned," and these politicians who believe that some "murderers" should go unpunished.

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Iran Budget 17% down on Shah's

By Andrew Whitely in Tehran

Iran's first annual Budget since the revolution is to be a conservative one of 24,400 billion rials (24,400 million rials) or 17 per cent down on the last Budget prepared by the Shah's Government.

Main areas of reduced spending are defence and development. Excluding arms purchases, defence allocations have been reduced by more than half to 3,000 rials (3,000 million rials) and development by 27 per cent to 2,000 rials (2,000 million rials).

Announcing the Budget's authorized version, which will run from March 21, 1979, to March 20, 1980, Ayatollah Khomeini said the Government's policy was to reduce the size of the State and to decentralise power to local and foreign communities.

In an interview, he said that savings could be made elsewhere, he added.

Despite considerable savings in administration costs, the Budget still envisages a deficit of 1,000 billion rials (1,000 million rials) but this is likely to prove hypothetical as the revenues rise.

In the absence of a Farsh



Ayatollah Khomeini

ment to approve the Budget, as in the past, Mr. Khomeini's outline of a Press conference on Sunday may be regarded as almost final.

It is known that the Budget was sent to Ayatollah Khomeini's Revolutionary Council, though Mr. Khomeini did not make clear if it had passed this hurdle.

One notable feature is the exceptionally low figure envisaged for oil income, falling into account the latest OPEC price cut.

Mr. Khomeini said oil receipts were estimated at \$1,477bn (24,400 billion rials) for the full year, a full year's income of independent Iran.

One possible conclusion is that another reduction in oil income is in the offing.

Over the past few months, 45 development projects now considered unnecessary had been cancelled, Mr. Khomeini said.

These included the two French nuclear power plants, the northern railway line from Qom to Bandar Shapur, and a number of military bases.

Additional sum, will cover expected losses by state companies.

No provision has been made in the Budget calculations for revenue or expenditure concerning the recent nationalisation of the banking and insurance industries.

Nor have figures been put aside for compensation to shareholders in manufacturing industries due to be taken over soon.

For the first time in recent years, Iran's envisaged spending on arms purchases from abroad was disclosed. This was put at \$70bn, less than \$500m—about a third of what is believed to have been recent annual spending.

This still not inconsiderable figure is believed to be largely accounted for by the purchase of spare parts and ammunition and residual payments on weapons deliveries too far advanced to cancel.

Among other allocations in the Budget are \$20bn (\$200m) for the petrochemical industry, \$20bn for gas transmission lines and \$30bn for "expansion of industry."

Mulder summoned for contempt

By Quentin Peel in Johannesburg

DR. CONNIE MULDER, the former South African Minister of Information, is to be charged with contempt for refusing to give evidence to the Government inquiry into the secret operations of his former department.

His lawyers have been served with a summons for him to appear in court in Pretoria on August 1, making Dr. Mulder the first participant in the information scandal to face a charge.

The decision to prosecute comes a few days after Dr. Mulder, once their apparent to Mr. John Vorster as South Africa's Prime Minister, announced plans to form a new right-wing political party to challenge the ruling National Party, from which he was expelled in December. His Action Front for National Priorities, launched last week, seeks to unite ultra-conservative elements from the ruling party with disgruntled white workers, and Dr. Mulder's own personal following, to present a more successful alternative to the far Right than the Herstigte Nasionale Party, which broke away in 1969.

The authorities are hoping that a conviction will set back Dr. Mulder's hopes for a political comeback, although the offence is a relatively minor one. If convicted, Dr. Mulder is liable to a fine of R100 (£55) or six months' imprisonment.

UAE completes Cabinet

BY OUR OWN CORRESPONDENT

A NEW Government for the United Arab Emirates was announced at the weekend nearly two months after Sheikh Rashid, the Ruler of Dubai and Vice-President of the UAE, undertook a mandate to form one.

After the long delay the announcement came as something of an anti-climax, with few changes of significance or any indication of the policies that Sheikh Rashid will pursue to break the deadlock that has paralysed the development of the federation for the past 18 months.

The Ruler of Dubai's son, Sheikh Mohammed bin Rashid, continues as Minister of Defence. Mr. Ahmad al-Suwaidi as Minister of Foreign Affairs, and Dr. Mana al-Otaiba as Minister of Oil.

One surprise is that Mr. Said Gorbash is retained as Minister of Planning. It was generally believed that Sheikh Rashid wanted to dismiss him.

He has made only four changes. The most important involves the dropping of Mr. Abdullah Taryam, who was Minister of Education. He was regarded by the more conservative minded rulers as having been behind demonstrations in the spring in favour of greater unity of the country. His brother, Mr. Omar Taryam, Speaker of the Federal National Council, was the principal instigator of a memorandum issued in the name of the assembly which triggered off a constitutional crisis over the form that closer links among the Emirates should take.

The distribution of portfolios among the seven emirates remains the same, with representatives from Sharjah and Ras al-Khaimah each holding two. This is seen as an indication that Sheikh Rashid will want to maintain a loose federal structure in opposition to those who want greater unification.

Differences between Sheikh Rashid and Sheikh Zayed about the nature of the federal government have hampered its workings. The Ruler of Dubai wants to cut down the size of the union bureaucracy, which currently employs no fewer than 32,000 civil servants, while decentralising its operations. In return, he has pledged to hand over half his petroleum revenues to it.

'Delight' over Thatcher hint

By Tony Hawking in Salisbury

OFFICIALS IN Salisbury expressed "delight" yesterday at the suggestion that the British Government is unlikely to agree economic sanctions against Zimbabwe Rhodesia in November.

On the Zimbabwe Rhodesia stock exchange, mining shares moved better on London buying (via Johannesburg) with Wankie in some demand.

Businessmen here take the view that the lifting of sanctions will not transform the outlook. It is acknowledged that the main threat to the country comes from the military situation rather than from sanctions.

One informant estimated that the war is now costing about 40 per cent of the national budget.

Shaba peace-keeping force prepares to withdraw

By Martin Dickson

A PAN-AFRICAN peacekeeping force is about to start a phased withdrawal from Zaire's Shaba province, leaving a doubt about security in the vital copper mining area.

The 2,400-man Inter-African force, comprising troops from Morocco, Togo, Gabon, Senegal and Ivory Coast, was sent to defend Shaba last year after French and Belgian forces had helped to repulse an invasion of the province by Angola-based rebels.

The peacekeeping force, about 1,500 members of which are Moroccan, is being withdrawn in stages over the next three months and replaced by the newly-formed 21st Zaire Light Infantry Brigade, comprising 2,500 men, trained by Belgium.

A rapprochement between Angola and Zaire has reduced fears of another rebel invasion, but there remain doubts whether the new brigade will be any more successful in maintaining law and order in Shaba than other elements of the poorly disciplined Zaire forces.

A stable atmosphere in Shaba will be essential if Zaire is to keep the European mining engineers whose expertise is necessary for the running of the copper mines. M. Henri Simonet, the Belgian Foreign Minister, visited Shaba last week and heard a long list of grievances about banditry and lack of security.

Hoss invited to form Cabinet

By Hsan Hijazi in Beirut

PRESIDENT Elias Sarkis of Lebanon yesterday asked Dr. Selim al-Hoss to form a new Government.

Meanwhile, an IMF team has been visiting Kinshasa for more discussions on a \$150m stand-by loan which was to have been approved several months ago.

Dr. Hoss, who has been in office in a caretaker capacity since he and his Cabinet resigned about eight weeks ago, said he will begin consultations today.

President Sarkis's decision to designate Dr. Hoss as head of a new Administration is seen here as an attempt to break the political deadlock.

There is no certainty that the Premier-designate will be able to announce a new Government soon, because of conflicts among politicians about the type of administration that should be set up.

Binaisa-Nyerere talks

DAR ES SALAAM — Presidents Julius Nyerere of Tanzania and Godfrey Binaisa of Uganda met in Tanzania yesterday to discuss the continuing Ugandan crisis caused by the removal of Mr. Yusefu Lule from the presidency.

The meeting at Mwanza was the first between Dr. Nyerere and Mr. Binaisa since the latter was sworn in two weeks ago.

U.S. warning on 'boat people'

BY PHILIP BOWRING IN HONG KONG

THE U.S. has privately but firmly told the countries of South East Asia that they must provide a temporary home for the refugees from Vietnam if they wish to receive the full co-operation of America in resettling them.

The warning was made by Mr. Cyrus Vance, U.S. Secretary of State, to the Foreign Ministers of the Association of South East Asian Nations, which groups Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Only three days ago, the ASEAN Ministers issued a joint communiqué specifically rejecting the need to offer a first asylum for refugees.

This principle is an obligation on members of the UN, but the ASEAN countries not only said they would refuse to accept new arrivals, but would forcibly return refugees already accepted by the UN High Commission for Refugees.

ASEAN Ministers are now clearly reconsidering their position after meeting Mr. Lord Carrington, British Foreign Secretary, and M. Olivier Stirn, French Secretary of State for foreign affairs, have been making similar points in Kuala Lumpur, though so far there is no indication that Malaysia is prepared to soften its stand.

It has turned back or shipped out to sea more than 15,000 refugees since the Government announced it would accept no further "boat people."

Yesterday, a boat with 950 Vietnamese refugees, the second biggest boatload to reach Malaysia since 1975, was towed out to international waters.

Hong Kong, which at present houses more than 58,000 refugees, has suggested that unless Britain sets a lead in resettling refugees from the colony, little chance exists of persuading the rest of the world to help.

Japan's Kampuchea move

BY OUR OWN CORRESPONDENT

JAPAN has launched an initiative aimed at convening a conference to discuss a political solution to the turmoil in Kampuchea. In pursuit of this plan, emissaries were recently sent to both Peking and Hanoi.

Mr. Sunao Sonoda, Japan's Foreign Minister, said at the meeting of ASEAN Foreign Ministers here yesterday that he was exploring the idea of such a conference in discussions with his ASEAN counterparts.

Japanese delegates declined to give further details, while ASEAN officials emphasised that talks were still at an early stage.

The fact that Japan has, on its own account, launched an initiative on the critical Kampuchean issue is seen as an indication of Japan's new and more active role in regional political affairs. Whether or not the idea makes any headway, it may prove a watershed in Japanese post-war relations with South East Asia. Hitherto, Japan has preferred to follow events, and particularly to follow U.S. policy. The U.S. knew about the Japanese initiative, but is maintaining, in public, a position of interest without involvement.

Ethiopians mobilise for new Eritrea offensive

BY OUR OWN CORRESPONDENT

ETHIOPIAN FORCES, armed by Russian advisers, are mobilising for a renewal of their offensive against guerrilla forces in the Red Sea province of Eritrea. The Eritrean People's Liberation Front (EPLF) believes that an Ethiopian attack is imminent and that it may involve an incursion across the border into Sudan to cut the guerrillas' supply lines.

The aim of the Ethiopian offensive would be to crush the last resistance of the guerrillas, who have been fighting for the independence of Eritrea for nearly two decades. Last year Eritrean guerrillas, with a 10,000-man force, captured and razed the capital, Asmara, and drove the Eritrean government out of almost all the towns they held and pushed them back into the mountainous northern tip of the province.

Mr. Issayas Afewerki, the assistant secretary-general of the EPLF, said that the guerrillas represented in good order, starting ambushes on the way and losing only about one-tenth of the 50,000 to 60,000 men he claims Eritreans lost in the successive stages of its offensive, which began last summer.

Mr. Issayas said the EPLF had evidence of an Ethiopian build-up, accompanied by a large number of Russian military advisers, in western Eritrea, near the Sudanese border. This might be aimed at driving a wedge between Sudan and the guerrillas, who use Sudanese territory as a supply route to their bases, he said.

Sudan, whose armed forces are much weaker than those of Ethiopia, would be hard-pressed to defeat such an incursion.

Despite the fact that Ethiopia has in the past year deployed about 120,000 troops and extremely heavy firepower, Mr. Issayas predicted that Ethiopia would face supply and logistics problems due to guerrilla actions in the rear, as well as dissension between Ethiopian officers and their Russian advisers.

He said that the harsh volcanic terrain of the Red Sea region where the guerrillas are based would minimise the utility of Ethiopia's tanks and artillery.

Eritrea was federated with Ethiopia by the United Nations in 1952, but the federation was dissolved in 1962, since when the Eritreans have been fighting for total separation. After the setbacks the Eritreans suffered last year the two main guerrilla groups, the EPLF and Eritrean Liberation Front (ELF), announced a greater willingness than before to negotiate with Ethiopia. But talks between President Nimer of Sudan and Col. Mengistu Haile Mariam of Ethiopia last February in Sierra Leone failed to pave the way to a negotiated settlement and did not improve the poor relations Sudan has with Ethiopia.

All of these securities having been sold, this announcement appears as a matter of record only.

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(Convertible by Holder Prior to June 15, 1988 Into 8½% Debentures Due 2009;  
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Interest on the Notes for the period June 15, 1979 through December 14, 1979 will be at the rate of 11.50% per annum. The interest rate per annum for each semi-annual period thereafter will be 50% above the then current "interest yield equivalent" of the market discount rate for six-month U.S. Treasury bills, subject to a minimum per annum interest rate of 6%.

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## WORLD TRADE NEWS

## Iran nuclear project nears collapse

BY ANDREW WHITLEY IN TEHRAN

IRAN HAS taken over from Kraftwerkunion, the West German engineering concern, the care and maintenance of the country's largest development project, the \$6.9bn (£3.2bn) twin nuclear power stations under construction at Bushire on the Gulf.

Work stopped on the project last January, and there are no immediate prospects of resumption although construction is 80 per cent complete.

Pessimism over the future of the project, the last survivor of Iran's once highly ambitious nuclear power programme, deepened yesterday when Mr. Ali Akbar Moinefar, the influential Plan and Budget Minister, was reported as saying he was personally opposed to the construction of nuclear power stations in Iran.

He said they were uneconomic and in the case of the West German reactors he raised a

safety consideration, saying the site was earthquake prone. Kraftwerkunion is known to be unhappy about the Atomic Energy Organisation of Iran's decision to take over the management of the Bushire site, as they consider there are insufficient Iranian nuclear

technicians available to look after the equipment already installed. "We never thought they would be as foolish as to think they could do it on their own," one West German involved in the project said. No negotiations are in progress on whether or not work will resume, but in the meantime the Iranian Government is making clear by other means that there is likely to be little future role for the German companies.

Temporary work permits have been issued for only 186 expatriates employed by Kraftwerkunion and the construction consortium HDG, Hochtief, Dyckerhoff and Widman.

These are valid for three months and thereafter the number will be reduced to 50. At its peak, 3,000 West German technicians and their families were living on the site.

Work began on the nuclear plants some three and a half years ago and progressed rapidly. Completion was due for late 1980 and early 1981 for the two units, and Iranian officials frequently praised the quality of the West Germans' work.

Officials said preliminary planning work was financed by the UN Economic Commission for Europe (ECE) and the UN Development Programme (UNDP). AP-DJ

## Mideast road link plan

BUCHAREST—Ten European countries are expected to join in the construction of a 10,000 km (6,250 miles) transcontinental motorway from the Baltic Sea to the Mediterranean to provide a rapid link between Europe and the Mid-East, Romanian officials report.

The North-South traffic route is to include existing roads. But, in addition, each country participating in the project would be required to contribute to road improvement.

The countries are: Poland, Czechoslovakia, Austria, Italy, Hungary, Yugoslavia, Romania, Bulgaria, Greece and Turkey.

Called the European Autostrada, the project was reported to be projected for completion by 1990. But no cost estimates were announced.

Officials said preliminary planning work was financed by the UN Economic Commission for Europe (ECE) and the UN Development Programme (UNDP). AP-DJ

## Japan woos Mexico over oil

BY WILLIAM CHISLETT IN MEXICO CITY

THE SUMMER months will see a flurry of activity between Mexico and Japan as efforts are made to intensify commercial relations between the two countries.

Sr. Jose Diaz Serrano, the head of Pemex, the Mexican state-owned oil corporation, is keen to visit Tokyo early this month. Japan's trade and industry ministers plan a visit to Mexico later in the month and the foreign minister in August.

Meanwhile Japanese businessmen, bankers and technicians have been constantly flowing between Tokyo and Mexico City since Sr. Jose Lopez Portillo, the Mexican president, visited Japan last November. Japan had a trade surplus with Mexico last year of \$238m (£139m).

There are three points of interest: Japan's eagerness to purchase Mexican crude and on capitalising on Mexico's need for expertise in building industrial and port complexes on the Pacific and Atlantic coasts and in electrifying its railway system.

Oil, of course, is the chief attraction. Japan has to import 99.8 per cent of its oil and is looking for new sources. Mexico is not a member of OPEC, is regarded as a 'stable' country and, with potential hydrocarbon reserves of 300bn barrels, is a long-term source of supply.

While Japan is clearly anxious to secure a long-term commitment from Mexico the matter is far from cut and dry.

Mexico's price was higher than OPEC's prior to the recent OPEC ministers' meeting. While Mexico's relative price is now uncertain, Japan does not appear likely to haggle over such matters, knowing full well that Pemex can always sell elsewhere. But as a country with a keen sense of business it wants to get the best deal possible. This could involve linking the purchase of oil to Mexico's industrial needs.

In this respect it is both amusing and noteworthy to see that a sense of rivalry has developed between different, private interests in Japan.

On the one hand the powerful

Mitsui trading company, the Mitsubishi trading company, and the Japanese Industrial Bank, the country's largest private bank for long-term loans, are making a joint approach to Pemex to buy the oil and, as a sweetener, have offered cheap credit.

On the other hand, Japan's private oil-importing companies have formed another bloc, but apparently have not offered credit. They are the logical buyers, as they have the distribution network, but the other group is pushing hard with Pemex waiting to see how this rivalry resolves itself.

A far more serious problem

for Japan is Mexico's lack of deep water ports on the Pacific coast. Until there is a clear indication that ports will be enlarged, Japanese importers will be reluctant to make such a long and costly journey if it can only bring in small tankers. The Mexican Government is now carrying out a ports study.

Mexico will also have to build a pipeline across country to move the oil to the Pacific coast from the major oil fields by the Gulf of Mexico.

Oil could be piped over to Salinas Cruz on the Pacific Coast, and Japan could provide loans for the pipeline as the Mexican Government intends to finance the building of industrial complexes near coastal areas from its oil revenue.

Mexico may require Japanese participation in the second stage of the expansion of the steel mill at Las Truchas. Nippon Steel, Kobe Steel and Sumitomo Metal Industries are involved in talks with the Government. A decision has yet to be taken on who will be involved in this steel expansion.

There is no doubt that the will is there to buy the oil.

Japan needs it and Mexico has publicly stated that it wants to diversify its oil exports away from the U.S. and reduce its share from its present 85 per cent to 60 per cent. If this is so then Japan could be importing 200,000 barrels a day from Mexico by the time it reaches daily production of 2.25m b/d at the end of 1980.

## Air Canada nears new aircraft decision

By Michael Donne, Aerospace Correspondent

AIR CANADA is on the verge of a major re-equipment decision for short-to-medium range airliners, with its choice believed to be in favour of the Boeing 767 twin-engine jet over the rival European Airbus A-310.

The airline's board is due to meet in Montreal next Monday, to vote on a proposal from the technical staff of the airline that it should buy up to 30 Boeing 767s, worth eventually over \$1.5bn including spares.

The belief in the U.S. and European aerospace industry is that the vote will be in favour of Air Canada buying initially 12 Boeing 767s, with an option on another 18 aircraft.

Original pressures by the Canadian Government on the airline in favour of the European A-310 appear to have faded following the defeat of Mr. Trudeau's Government in the recent general election.

The Air Canada deal, if approved, will be the first major order for the 767 outside the U.S. Already, firm orders for the 767 amount to 84 aircraft from four U.S. airlines (United, American, Delta and Pacific Western), with options on another 81 aircraft.

Among the technical reasons cited for Air Canada's preference for the Boeing 767 are that it has a bigger wing than the A-310, giving improved performance over the European aircraft.

But another factor is that the Canadian aerospace industry, already closely associated with Boeing on various civil and military programmes, could get some offset work as a result of the Air Canada decision.

## Martinair in £71m Airbus acquisition

By Charles Batchelor in Amsterdam

MARTINAIR, THE Dutch charter airline company, has ordered three A-310 Model 200, Airbus at a cost of more than £1 300m (£71m). The aircraft, to be delivered beginning in 1984, will replace three DC-8s now in service. Two will be convertible, in that they will be able to be used either solely for passenger or freight, marking the first time that an A310 has been ordered in this version, Martinair said.

The cold stores are at present under construction, and the

## Third World still opposes GATT safeguards code

BY BRIJ KHANDARIA IN GENEVA

THE COMMON Market has received a stern reply from developing countries to its proposals on an international code allowing industrialised nations to slap on import curbs to safeguard home producers against excessive competition from cheap foreign goods.

The developing countries have said they will not accept any code which does not oblige the government imposing the safeguard measures to first consult with the exporting country concerned and also obtain approval from a committee, responsible for running the code.

The reply was given in informal talks which have been under way here intermittently since mid-June. Some sessions were chaired by Mr. Olivier Long, director-general of the General Agreement on Tariffs and Trade (GATT), the world's trade watchdog body.

The code is to be part of a package of trade codes being negotiated in Geneva in the multilateral trade negotiations

(MTN) to supplement and modify existing GATT rules which govern most of the non-Communist world's trade.

Several MTN codes were completed last April but most Third World countries have so far refused to sign a final document ratifying with the code.

The document has been signed by all the industrialised countries but, Third World nations have said they are not yet satisfied that the separate codes in the package are to their advantage.

The proposed code on safeguards is the most important element of the MTN package. The Common Market, with lukewarm backing from the more liberal U.S. Administration, is trying to ensure that the code will allow its member states to curb cheap foreign imports if they endanger home industries.

The developing countries are bitterly against this interpretation of safeguard measures and insist that the code should be seen only as a safety valve to

be used in very exceptional circumstances after providing clear proof that cheap imports rather than other factors, such as managerial inefficiency, are the cause of home industry troubles.

The existing Article 19 of GATT has so far acted as the safeguard clause but was rarely used because it obliged the country invoking it to curb imports from all sources.

The Common Market is now arguing that such blanket curbs are unfair because they penalise small exporters as well as the large ones whose products have caused the difficulties. For this reason the Community wants the right to apply safeguard import curbs selectively against products from specific countries.

The Community, the U.S. and Japan agreed in April that they will try to wrap up all major elements of the MTN by mid-July. Third World negotiators are making time in the hope that the Community will soften its position nearer this deadline.

## Italy seeks more Soviet oil

BY PAUL BETTS IN ROME

ITALY is seeking to increase its imports of oil and natural gas from the Soviet Union, both to offset in part shortages in oil supplies from Iran and to help cover future domestic energy consumption.

This was one of the main issues discussed by Sig. Giulio Andreotti, the outgoing Italian Prime Minister, during a brief visit in Moscow at the weekend on his return here from the Tokyo Summit.

Sig. Giorgio Mezzaniti, chairman of Ente Nazionale Idrocarburi, the Italian state agency, is now expected to hold further

talks with Soviet officials.

The Soviet Union currently supplies Italy with natural gas equivalent to 6.5m tonnes of oil and a further 6m tonnes of crude. These imports cover about 10 per cent of Italy's overall annual energy requirements.

The Soviet Union is now understood to be willing to increase natural gas exports to Italy to the equivalent of 10m tonnes of oil a year, but are asking for an adjustment in prices.

Italy's current economic co-operation agreement on prices with the Soviet Union is

scheduled for renewal next year.

Moreover, the Soviet Union also appears interested in expanding collaboration with a number of leading Italian enterprises in the petrochemical and nuclear energy fields.

To this end, Italy is expected to open negotiations with Moscow for a new export credit line to the Soviet Union towards the end of this year.

During the past months, ENI has been negotiating a number of agreements with oil producing countries, including Saudi Arabia and Iraq, for additional oil supplies this year.

## Cold store group expands

BY PAUL TAYLOR

THE O'GORMAN GROUP, the UK-based cold store construction and industrial refrigeration consultants, has set up new offices in Europe and the Middle East.

The move is part of an export drive designed to capture a 50m share of the growing overseas market for cold storage plant within the next five years.

The group, which moved into the export market only 18 months ago, has won a £7m contract for three 910,500 cu ft cold stores in the United Arab Emirates.

The cold stores are at present under construction, and the

group recently completed a 750,000 cu ft cold store for Christian Salvat at Chateaufort-sur-Loire, France.

As a result, the group, which manufactures high quality modular insulation panels at one of its UK plants has formed a new company in France.

It has also opened offices in Paris, and has established a joint company with Arabtec, a Dubai construction company.

The group's turnover is expected to increase from £10.6m in 1977/78 to between £17.5m and £19m in 1978/79 and exports are at present running at an annual rate of about £10m.

## West Malaysian surplus rises

By Wong Seng in Kuala Lumpur

WEST MALAYSIA'S trade balance soared to a record surplus of 1,300m ringgits (\$200m) during the first four months of this year, compared with a trade surplus of 250m ringgits during the same period last year.

The commodity boom, and higher output of crude oil from the east coast state of Terengganu, were mainly responsible for this big jump. The Department of Statistics said that exports for January to April totalled 5,710m ringgits against imports of 4,410m ringgits.

## Rise in machine tool business

BY JOHN WICKS IN ZURICH

THE VALUE of world machine-tool production was more than \$19bn (£8.5bn) last year, according to estimates of the European Committee for Co-operation of the Machine Tool Industries (CECMTI). Of this total, almost 75 per cent is said to have been accounted for by cutting machines.

The main centres of machine-tool manufacturing are given as Western Europe, with some 40 per cent of the whole, Eastern Europe with 24 per cent, the United States with a share of 17 per cent and Japan with one estimated at 13 per cent. The remaining 6 per cent came from ten further countries, primarily in South America and South-east Asia.

Competition from "new"

producer countries is said to be growing, with producers there able to deliver machinery of conventional types and at prices considerably below those offered by manufacturers in Western Europe, the U.S. and Japan. These are seen as being forced to develop models with more advanced technology, improved product reliability and after-sales service.

Western European countries are stated to have purchased machine tools worth more than \$5bn in 1978, this accounting for more than 27 per cent of world demand. Some 50 per cent of this value is accounted for by trade between these countries.

The committee reported a rise in machinery investment, following the 1974-77 recession, in the German and French markets and to a lesser extent in Italy and the United Kingdom.

According to Sig. Guido Conti, of the European machine-tool exhibition (EMO) to be held in Milan this October, machine-tool manufacturers in Germany, France and the United Kingdom are currently reporting an improvement in the volume of new orders.

Delivery dates average some eight to nine months in these countries and in Italy. In Switzerland, another leading machine-tool producer, work on hand is equal to some 24 months production, and shorter delivery dates are attributed to the smaller average size of Swiss models.

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# Uniroyal fights order alleging job discrimination

BY JOHN WYLES IN NEW YORK

UNIROYAL, the third largest U.S. tyre producer, yesterday went to court in Washington DC to fight a Labour Department order preventing it from receiving any Federal Government contracts because of alleged job discrimination.

The order, issued by the Labour Secretary, states that the row after administrative hearings, which found that the company had discriminated against female workers at its Mishawaka, Indiana plant.

In addition, it was decided that Uniroyal had breached contractual obligations to the Government by refusing to cooperate with an investigation into charges of discrimination.

Uniroyal is the largest Government contractor ever to be placed under a 1965 Executive Order which prohibits federal contractors from discriminating on the basis of race or sex.

The irony is that Uniroyal, which has a long history of business with the Government, is also threatened by a recent pay deal with production workers, which, according to the Council on Wage and

# Few heed the call of the Stars and Stripes

BY NANCY DUNNE IN WASHINGTON

SIX YEARS after the demise of the military draft in the U.S., Pentagon officials trooped up to Capitol Hill recently to answer anxious questions about personnel shortfalls in each of the four services.

The active army, which has been "streamlined" down to 760,000 men and women, finished 1978 2 per cent below goal and, now is down about 6 per cent. The navy ended last year with only about 94 per cent of its projected recruits. The marines were running about 17 per cent short in the first three months of the fiscal year and even the traditionally popular air force was about 700 short last December.

Most worrying is the shortfall in army reserves which were once filled out by young men seeking a haven from the draft. National guard units, which serve the states in peacetime and the federal government in wartime, are about 60,000. Army reserve units are about 80,000 below full strength, and the individual ready reserve—trained soldiers on standby assigned to no divisions—are short about 320,000 of the 500,000 required.

Despite the millions spent to make the concept of an all-volunteer force viable, U.S. military might is being spread increasingly thinly. The navy, plagued by a rash of desertions,

has half the number of vessels it had in the early 1960s. The stockpile of critical U.S. combat supplies fluctuates between 18 and 62 per cent of what would be needed if war broke out in Western Europe.

Concern apparently came to a head after recent mobilisation exercises. Gen. Bernard W. Rogers, then army chief of staff and now NATO commander, reported, "deficiencies in our manpower base, deficiencies with our preposition war reserve stocks and an inability at this juncture for the industrial base of this country to gear up on a timely basis and produce, as required, those replacements for the tanks and artillery and the armed personnel carriers and so on lost on the battlefield."

With post-Vietnam feeling still strongly against instituting the draft, few in the military or Congress will propose its return. Among the testifying officials, Gen. Rogers admitted, "if this session of Congress could reinstate the draft, I would be in favour of it." His colleagues from the other services pronounced themselves satisfied with the voluntary system for now, and Mr. Clifford L. Alexander, the army secretary, said that "to enact a draft, I believe, would be unnecessary, unfair and counterproductive" to the army.

Much criticism of the volun-

tary service refers to its cost. More than 50 per cent of U.S. military spending is related to manpower and this is rising. Pay and benefits for the recruits have surged.

About \$80-90m are spent per year on recruiting alone. Some \$515m will be spent in fiscal

are generally from poor families.

Many commanders, however, say it is the most effective U.S. peacetime force of the century. It is more efficient to teach highly motivated professionals the uses of complex modern weaponry than to train reluctant

diplomats, the value of these degrees (issued by a declining U.S. educational system) is considered dubious. Average test scores in the army have remained steady only because of the influx of women who must meet more stringent requirements than men.

Volunteers are divided into four mental categories, the lowest being category 4 (below average but "trainable"). Due to the exigencies of the Vietnam war, nearly 38 per cent of the army draftees were drawn from this category in 1969. That number has been reduced to 10 per cent.

Near the end of the Vietnam war, the army was deeply troubled by problems of discipline, drug and alcohol addictions and shattered morale. The picture has now improved, with re-enlistments up, and desertions, absence without leave and crimes of violence down.

While maintaining that the volunteer army is an improvement over the draft, the service chiefs are looking at the demographics with concern. The number of U.S. males, aged 17-21, reached its high at 10.8m and is moving down to a projected total of 8m by 1980.

The end of the draft also brought about the near destruction of the selective service system, which went from a budget of \$100m to \$7m, and does little but exist in case of emergency. Opposition to the draft is still

so vehement that a Bill providing for mandatory selective service registration is given only a 50-50 chance of passage.

While considering the proposal, congressmen are wrestling with the question of whether women would have to register along with men. Although Congress could constitutionally exclude women now, it almost certainly could not in the unlikely event that the Equal Rights Amendment to the constitution being passed.

Women now comprise about 14 per cent of army personnel and five per cent in the marines. Although they have been allowed to serve in most capacities, they seem to be, in the words of the Pentagon brass, "migrating from non-traditional to traditional skills. The general official attitude seems to be that women work well, are acceptable but not necessary and are not desirable in forward fighting positions."

While Congress this year may approve mandatory registration, the solution to the military's future needs is uncertain. Various proposals are being floated—a universal draft for military and non-military service, a universal voluntary service, a reserve draft drawn by lottery. But until the voters feel some urgency about the issue, Congress is unlikely to accept any drastic proposals which will send the draft card burners back to the streets.



A Marine in action in Vietnam... now the corps is 2,000 men short.

1979 on advertising, higher pay times and a new programme of enlistment bonuses.

The quality of new recruits has been hotly debated. The army has become more representative of the American lower paid. It is one-third black, and the white volunteers

ant draftees, who serve shorter times and rarely re-enlist.

Others feel the new recruits are less intelligent than the average of those who would be picked up in a draft. Although the army makes a point of ensuring that 70 per cent of new volunteers have high school

## Executives suffer drop in salary

By John Wyles in New York

PAY RISSES for senior executives in medium-sized U.S. companies were pegged to the same level as those for blue collar workers last year, according to a survey by First Research, Mitchell and Co.

Overall, this meant a drop in salary and bonus increases from 11.1 per cent in 1977 to 8.5 per cent last year. FRCM speculates that the fall may reflect the dampening influence of President Carter's wage guidelines, which came into force in October.

However, executive pay was not equally affected. The top 100 executives in the companies top three officers averaged 12.4 per cent increases, compared with 12 per cent the year before.

In spite of this, the outlook for executives is based on a random sample of 210 companies listed in the Fortune "500" group with annual sales of between \$100m and \$450m. The survey indicated that the top executives in growth sectors, such as electronics, and high-tech, tended to be better paid than their counterparts in basic industries such as steel, food and beverages.

Thus the top three salaries in a \$200m-a-year office equipment company averaged \$250,000, \$185,000 and \$145,000 compared with \$195,000, \$150,000 and \$95,000 in 1978.

The highest salary was \$265,000, which went to a first officer who was not a chief executive. The highest-paid chief executive was found to own 34.4 per cent of his company's stock and to have received \$555,000.

## Support fades for lorry strike

Support for the U.S. independent lorry drivers strike is beginning to wane following a promise from the Carter Administration of more fuel and new surcharges on the rates the drivers can charge to offset rising fuel costs.

Steven Fleisher writes from New York.

The Federal Government is also planning to set up eight "safe" corridors on interstate roads to try to ensure that drivers who want to go on working can do so without fear of violence from those who do not.

## Oil auction attracts high bids

By David Luzzell in New York

AFTER THREE years of legal wrangling, the U.S. put 148 oil exploration tracts on Southern California up for auction at the end of last week, and received bids worth nearly \$1bn for 55 of them.

Most of the bids were for tracts in the Santa Barbara Channel, where the nation's worst blow-out occurred, in January 1969, spilling oil over a wide area. Despite the disaster, and though local opposition from environmentalists, the channel is viewed as one of the more promising offshore drilling areas.

Apparent winning bids in the auction totalled \$74m, with the biggest single bid (\$61.2m) coming from a group headed by Chevron (Standard Oil of California) and including Phillips, Champion Petroleum, and ICI's U.S. subsidiary, ICI of Delaware.

ICI has been investing in U.S. offshore oil activities since 1976, and currently has interests in tracts in the Baltimore Canyon and the Gulf of Mexico. The investment is being made for the financial return, though ICI has an option to receive oil if it wants to. The final results of the auction will not be known until next month.

The U.S. is trying to step up the pace of its offshore exploration as part of its drive to increase domestic reserves and boost production. Beginning next year, a new accelerated five-year programme is expected to open up several new areas to exploration.

David Butcher adds from Washington: Plans for a billion dollar fund to stimulate energy exploration in Latin America are hanging fire while the U.S. Treasury weighs a proposal from the International Development Bank that the U.S. should provide 50 per cent of the capital.

The proposal by the IADB, under which guarantees would be provided for bank loans and also insurance against political risks, echoes plans by the World Bank to encourage Third World countries outside OPEC to make the most of their energy resources.

The Treasury is understood to be sympathetic to the IADB proposal, by which the U.S. would initially contribute \$375m for insurance and up to \$175m in loan guarantees, especially after the latest oil price rise.

But the Administration must also consider whether the money might not be better spent in developing solar power or synthetic fuels at home.

## Iraq stops unloading of crude for Canada

BY JIM RUSK IN TORONTO

IRAQ HAS placed an embargo on crude oil shipments to Canada and although it may not be long-lasting, Canadian Government officials have had to intervene with the Iraqi embassy in Ottawa to clear the unloading of a cargo bound for Petrobrás Canada.

A spokesman for the Canadian External Affairs Department confirmed that the Government learned early last week that there might be interruptions in the Iraqi oil supply in retaliation for Canadian plans to move its embassy in Israel from Tel Aviv to Jerusalem.

A vessel bound for Portland, Maine, the Atlantic terminus of an oil pipeline which delivers crude to Montreal refineries, had been ordered to remain in international waters. However,

its cargo of crude was unloaded after the Iraqi ambassador to Canada, in response to Canadian queries, said that Iraq had no objection to the unloading of the cargo.

The embargo was apparently imposed before Mr. Joe Clark, the Canadian Prime Minister, assured Middle Eastern ambassadors that the move of the embassy would not take place until he had received a special report on the issue, which would take at least a year to prepare.

Canadian officials hope that this assurance will satisfy Iraq and that the embargo will be called off. However, Petrobrás, which imports 10,000 to 15,000 barrels a day, or about 15 per cent of its requirements from Iraq, is planning to replace the crude if the embargo lasts.

"We believe in ploughing back every penny we can afford into investment, and to do that, we need predictable profits. That's why we have an ECGD insurance policy for our exports."

"It would be quite wrong for us to get a good return one year, only to have a hole knocked in it the following year because of a large overseas loss. With the worldwide expansion of our business, there are many hazards and it would be foolish not to insure the credit risks."

"So, with ECGD covering 90 or 95% of the value of our exports—at low premiums—we feel it seems to us an eminently sensible way of doing business."

Mr T Pollard (seated) is Chairman and Mr D T Morris-Jones, Financial Director of Gullick Dobson International Ltd of Wigan, who export many £ millions of powered roof systems for mining all over the world.

ECGD insures from date of contract or dispatch of goods. Cover is available for contracts in sterling or other approved currencies for: Continuous sales worldwide of raw and processed materials, consumer goods and production-line engineering goods. Sales to and by overseas subsidiaries of UK firms. Single large sales of capital equipment, ships and aircraft. Constructional works contracts. Services. ECGD also makes available: Guarantees to banks providing export finance, often at favourable rates of interest, including project loans and lines of credit to overseas borrowers. Guarantees for performance bonds. Guarantees for pre-shipment finance. Consortium contingency insurance. Cost escalation cover. Tender to contract cover. Cover for investments overseas. For full details call at your local ECGD Office.

To make an appointment or for information contact the Information Officer, Export Credits Guarantee Department—quoting reference FTW—at Glasgow, Belfast, Leeds, Manchester, Birmingham, Cambridge, Bristol, London West End, Croydon or Tottenham offices; for Joan Swales, Information Section, ECGD, Aldermanbury House, London EC2P 2EL. (Tel: 01-606-6699, Extn. 253).





سكزا لایف

# HEART OF POLYESTER ARE OUR SHIPS...



Does it seem far-fetched that the great navies and merchant fleets of the world will one day be moulded in plastics? Yet parts of them are today. Smaller craft, it's true, such as minehunters, work boats and submersibles. Yet there they are, hulls and superstructures sailing the seas, rivers and harbours of the world, moulded with the help of Cellobond polyester resins, specially developed by BP Chemicals.

this in plastics? What seems incredible today may be only just over the horizon. BP Chemicals are always working at the frontiers of technology, researching new applications for our products and making them work. If the admiralties of the world decided to move from steel to reinforced plastics, many of the hulls launched would be built with the help of BP Chemicals.

founders of the European petrochemicals industry. Our direct access to the raw materials from within the BP Group provides security of supply. This, together with our continuing investment in resources, service and product range, ensures that we continue to meet the needs of industry today, and the demands of the world tomorrow.

**BP** Next—a through-deck cruiser like BP Chemicals are one of the **BP chemicals**-making it all happen

## UK NEWS

Economic prospects  
'hit by dearer oil'

BY DAVID FREUD

A GLOOMY view of the medium-term prospects for the UK economy after the most recent oil price rise was published yesterday by the independent forecasters, the Economic Models Group of Companies.

The group does not expect the private economy to take the opportunity over the next four or five years for substantial expansion given by the reduction in public spending and real taxation growth.

Until 1981 government policy is forecast to squeeze profits and retard investment, while oil production will buoy up sterling and depress exports. For this reason employment growth in this period will be poor and manufacturing production sluggish.

## 1985 brighter

After 1981 the group says that growth of the UK oil sector will be minimal and the real exchange rate will decline and manufacturing competitiveness stabilise. The outlook for manufacturing beyond 1985 is much brighter.

Consumer spending on non-durables and services is expected to grow faster than on durable goods over the next six

years. Employment prospects in the service sector should therefore improve.

The group forecasts that by 1985 the cost of an average house will move up from the present level of £18,000 to £45,000.

However, in the short term the rise in house prices is expected to end with an increase in 1980.

With the return of easier money and lower relative energy costs, the private sector is expected to recover by the middle of 1981.

In spite of this the outlook for the construction industry as a whole is not bright in either the short- or long-term.

Consumption of durables is expected to favour the electrical sector at the expense of car manufacturers. The group says that the domestic budget share of radios and electronics should rise as competition depresses prices and a new generation of home gadgetry.

Sales in this sector are expected to rise by an annual average of 4.8 per cent between 1978 and 1985. Growth in the electrical engineering manufacturing sector is forecast at an annual average of 3.4 per cent over the same period.

Other manufacturing sectors showing strong growth are expected to be instrument engineering, chemicals and, after 1981, motor vehicles.

## Growth

Certain basic industries are expected to continue to decline over the forecast period, in particular iron and steel, shipbuilding and marine engineering, and textiles.

City stockbroker Panmure Gordon says in its latest economic review that a cut in the Minimum Lending Rate, now standing at 14 per cent, is unlikely before September. It argues that the Government's commitment to monetary control may only slowly translate into lower bank lending and money supply growth.

Stockbroker Wood Mackenzie concludes in its latest review that tight monetary policy, substantial demand for advances and pressures on the banking system will all tend to hold up short term interest rates. There will be some decline, however, probably in the latter half of 1979 and in 1980, due to the increasing likelihood of a world recession. This should mean that short-term rates level off at about 9-10 per cent next year.

Clwyd seeks  
restoration  
of Welsh  
air link

By Robin Reeves

TALKS are to take place this week on restoring the North-South Wales air link, suspended at the week-end after the acquisition of Air Wales by Air Anglia for an undisclosed sum.

Air Anglia's management has agreed to meet senior officials of Clwyd County Council, which has been subsidising the twice-daily service between Hawarden and Cardiff for £24,000 a year.

Air Anglia has indicated that the suspension will be brief to allow Air Wales's operations to be examined in detail. The signs are that the new owners are looking for an increased subsidy from Clwyd to maintain the service.

The North Wales local authority undoubtedly values the air link as an important element in its efforts to attract new industry to the county, which has the highest unemployment in Wales, over 10 per cent.

Clwyd is angry at the lack of consultation which preceded Air Anglia's suspension. Mr. Mervyn Phillips, the county's chief executive, hinted yesterday there were alternatives open to the local authority, such as putting the subsidy into a charter service link with Cardiff or an improved rail service between North Wales and the Welsh capital.

Air Anglia's takeover ends months of rumour and speculation about the future of Air Wales, a subsidiary of Cossalt and DK Aviation. The Cardiff-based airline began operating in December 1977 with the aim of establishing a network of routes. At one stage it proposed the setting up of a round-Wales airline.

Aims award  
for Laing  
chairman

SIR MAURICE LAING, chairman of building and civil engineering company, John Laing, was yesterday presented with the National Free Enterprise award by Aims, the free enterprise organisation.

He also received the symbol of the Campaign Against Building Industry Nationalisation, of which he is chairman.

Mr. John Lyle, chairman of Aims, said Sir Maurice had led a battle which put the Labour Government in retreat on the nationalisation issue. "It also changed the attitudes of the public and of workers and trade unions in his industry," Mr. Lyle said.

Special awards were presented by Aims to Mr. Leslie Chapman, author of *Your Disobedient Servant*; Professor Max Beloff, principal of the University College at Buckingham and Mr. T. E. (Peter) Utley, leader writer of the Daily Telegraph.

Name change  
for Babcock  
power division

BABCOCK AND WILCOX (Operations), the heavy power plant division of Babcock and Wilcox, has changed its name to Babcock Power.

Mr. Ron Campbell, managing director, said the new name was a better indication of the division's business. No structural changes were planned.

The power plant company was restructured last year, when all Babcock's power plant and heavy engineering businesses were merged. Its turnover fell during the year to £89.4m, compared with £102.3m in 1977. Profits were down to £12m from £24m.

Together with other power plant companies, Babcock has suffered from a lack of domestic power station orders. But the company says prospects have improved. While the domestic order book is thin, the company expects to export more than 50 per cent of its production this year, against 38 per cent in 1978.

Child cruelty  
'rips veneer  
of our society'

BRITAIN IS so violent that people are becoming "shock-proof" to child cruelty, the former director of the National Society for the Prevention of Cruelty to Children warned yesterday.

The Rev. Arthur Morton, who retired in March, said his final annual report contained "shocking accounts of appalling cruelty to defenceless children; a record of 12 months' neglect and deprivation on a scale that rips away the tissue veneer of our so-called civilised society."

The full horror might never be known for the NSPCC could only speak about cases brought to its notice.

The NSPCC was convinced that many other children were suffering as a result of assaults by their parents.

## LABOUR

Pay unit says Government  
staff will need 20% rises

BY PHILIP BASSETT, LABOUR STAFF

GOVERNMENT industrial workers are likely to need increases of about 20 per cent this year, according to reports from an independent pay comparability unit.

The reports of the Civil Service's Pay Research Unit, which has been given extra resources to deal with outside comparisons for the 170,000 industrial civil servants in addition to its normal work for 600,000 white-collar staff, have now been delivered to the 12 unions and the Civil Service Department.

The department is due to give the unions its analysis of the

reports by the end of the month, though initial analysis by the unions shows that rises of about 20 per cent are due for the majority of the grades, though increases for higher-paid skilled workers are likely to be greater.

Analysis of the raw information in the reports of comparisons with similar jobs in outside companies for the industrial workers is further complicated by the fact that unlike the white-collar staff factors such as shift payments have to be evaluated.

The unions regard the white-collar settlement which gives increases averaging 25 per cent by January as an important

guideline for negotiation. Of particular relevance to the industrial grades are the settlements of 20-20.99 per cent and 20.16-21.95 per cent reached for the bottom two administrative grades.

The unions feel that the Government will find it difficult to avoid reaching agreement for the industrial grades based on the PRU comparability reports, partly because of the influence of the white-collar settlement but mainly because the principle of comparability as a basis of this year's settlement was central to the agreement reached last year.

Action taken over pay last year by the industrial caused considerable political embarrassment when three out of four of Britain's Polaris submarines were blacked and had to be released by the Navy. Other action included disruption in naval dockyards and stoppages by House of Commons and Whitehall drivers, messengers and other staff.

The pay unit, which makes no recommendation as to how its findings should be applied, has looked at comparable jobs in engineering, shipbuilding, construction, transport, distribution and other industries.

North Sea gas supplies  
threatened by dispute

BY NICK GARNETT, LABOUR STAFF

THE supply of North Sea gas from four production platforms operated by Phillips Petroleum is under threat from a union dispute over pay.

ASTMS represents 56 of the 80 maintenance men, operators, technicians, supervisors and foremen on the four platforms.

The Amalgamated Union of Engineering Workers and the Electrical and Plumbing Trades Union represent about ten with a further 15 staff non-unionised.

Mr. Roger Spiller, ASTMS divisional officer, said the company had made an 8 per cent offer on basic salaries and an improvement in the special allowance for working offshore from £5 to £8.50 a day.

Mr. Spiller said Phillips had consistently adhered to pay policy while other production

companies had not. Staff who had shown great loyalty were now being forced to act against "parsimonious treatment."

The company said yesterday that it had offered a pay package that compared more than favourably with that in other industries in the area.

Neither the unions nor the company expects any interruption in supply to affect the public because of low summer demand.

Current basic salaries range from £3,000 for trainee plant operators up to a maximum of £8,000 for foremen. There is a further 7½ per cent on salaries for fixed two hours weekly "overtime" and shift and offshore allowances totalling £1,821.

BL craft men blame transport  
union in wage structure row

FINANCIAL TIMES REPORTER

THE FOUR craft unions at BL's car body plant at Cowley, Oxford, say the Transport and General Workers Union has torpedoed chances of any pay rise this year.

They make the accusation in a leaflet distributed after the disbanding of a committee selected to decide how jobs should be slotted into a new wage structure.

Mr. Roy Fraser, the Cowley convenor who leads BL's skilled workers, says that all the pay reforms under negotiation and the pay review due in November depend on the unions' acceptance of a new wage structure.

They say the factory committee was disbanded by the plant director, Mr. John Jackson, because of the transport union's "obstructive attitude."

The factory was among the earlier qualifiers for parity payments, but no progress has been made on slotting jobs into the new pay grades.

The manual unions have accepted a five-grade structure in the BL Cars joint negotiating committee, and BL says it intends to honour and apply it—but TGWU leaders in Oxford are campaigning for a four-grade system.

TGWU members will be lobbying union members of the joint negotiating committee in Coventry today in the hope of winning their support.

Mr. David Buckle, Oxford district secretary of the TGWU, has dismissed the craft unions' accusation as a gross exaggeration.

Members felt a four-grade

structure would be better for production workers.

He said he was content with the way the area's campaign was going.

Ray Perman adds: Mr. Alex Fletcher, the Scottish Industry Minister, is writing to Mr. Michael Edwards, BL chairman, to ask what the company's investment plans are for the Bathgate truck and tractor plant West Lothian.

The board of BL Vehicles cut £32m from the forward investment programme for Bathgate last year following a seven-week strike by machinists.

But Mr. Fletcher was told yesterday by shop stewards that industrial relations since then had been good and that productivity improvements justified looking at the investment programme again.

## Hotel workers claim £65 minimum

FINANCIAL TIMES REPORTER

A CLAIM for a minimum wage of £65 a week for Britain's 690,000 hotel and catering workers has been submitted by the General and Municipal Workers' Union on behalf of the Licensed Residential Establishment and Licensed Restaurant Wages Council.

The claim, which also calls for equal rates for part-time workers, as well as other mini-

mum terms, goes before the wages council governing the industry. Mr. Fred Cooper, GMWU national officer and leader of the workers' side, said: "This time the council has a real opportunity to look after the lower paid. Profits in this industry are at an all-time high while wages are at an all-time low."

Mr. Cooper added: "It is disgraceful that, in such a profit-

able industry, workers receive some £9 less than they would get on special security. While this industry coins in the money, the state has to pay out family income supplements to the workers."

"Last year Sir John Wood, chairman of the Wages Council, warned the employers that they had to deal with the problem of low pay. Our claim holds them to that warning."

WIMBLEDON BY JOHN BARRETT

Cawley routs Wade  
in only 68 minutes

VIRGINIA WADE's dreams of winning her second Wimbledon title disappeared in 68 minutes yesterday when she was routed 6-4, 6-0 in the quarter-finals of the women's singles by Evonne Cawley of Australia.

Mrs. Cawley, four times a finalist here but only once a winner, in 1971, produced her most graceful and fluent tennis to achieve her 26th win over Miss Wade in their 34 meetings. She was never behind and hardly ever looked back after capturing her opponent's serve in the opening game.

Two impressive service games to love left her 3-1 up and at one stage some marvellous touch play brought her nine points in a row.

There were brief hopes for Miss Wade in the sixth game when she got within two points of a break, but the danger was averted with a gorgeous Cawley cross-court forehand which dropped beyond Wade's outstretched racket.

Serving to save the set at 4-3 Miss Wade fought off two set points, the first with a deep service winner and the second with a full-stretch half volley which just cleared the tape. After seven dences the game was salvaged but Mrs.

Cawley overcame a slight stutter, losing the first two points of the next game, before she took the set after 41 minutes when Miss Wade netted a backhand.

The second set was a disaster for the British No. 1. She collected only 15 points in a 21-minute pot and afterwards said "I just couldn't get going. The court was much faster than I ever imagined it would be. Evonne played very well but she always plays well against me. She had a tremendous touch. I had none. If she plays like this she could go all the way."

Mrs. Cawley, who now meets the number 2 seed Chris Evert-Lloyd, the 6-3, 6-4 winner over Wendy Turnbull, another Australian, said: "This was a more comfortable match than I expected because Virginia has been playing well, but I am in good touch and feeling confident."

For the third time in five matches the champion Martina Navratilova dropped a set and looked distinctly shaky early on before putting out Dianne Fromholtz 2-6, 6-3, 6-0.

After trailing 3-1 in the second set Miss Fromholtz battled back to 3-3. Her best chance came in the next game



Evonne Cawley... 26th win over Virginia Wade

when she had two points for a 4-2 lead, with her serve to follow. But the champion showed her finest fighting form, pulling back to dance on probably the best shot of the match, a marvellous cross-court stop volley and winning the game with two crisply-struck volleys.

The reprieve encouraged her immensely and she swept through the next eight games irresistibly.

Mrs. Navratilova's semi-final opponent will be the 16-year-old American Tracy Austin, who overcame Billie Jean King 25, 41, 6-0, 6-2 in just over two hours. Miss Austin, who was born when Mrs. King won the first of her Wimbledon championships in 1961, became the youngest semi-finalist in the history

Damages  
for house  
defects

THE OWNERS of two neighbouring houses in Romford, Essex, were yesterday each awarded more than £40,000 agreed damages for foundation defects in their homes.

Mr. Neville and Mrs. Fabienne Woodley-Jones, of 1 Cromwell's Mere, Havering Road, Romford, received £45,000. Their neighbour, Ms. Juliet Frances Broster, of 2 Cromwell's Mere, received £43,000. Mr. Justice Kitchner-Brown approved the awards.

The claims, heard in the High Court, were against Globe Construction, of Globe House, Braintree Road, Felsted, Essex, which built the houses in 1974, and the London Borough of Havering, which gave planning permission.

Mr. Roy Roebuck, counsel for all plaintiffs, said the houses had unsatisfactory foundations. The building company was buying them back. Damages had been assessed on what the houses would have fetched on the open market if they had been in good condition. A sum was also allowed in the agreed award for damage to furniture and inconvenience.

Mr. and Mrs. Woodley-Jones had been awarded a higher figure because their house was at the end of a terrace and would be worth more, said Mr. Roebuck. He added that "accord had been reached between the defendants."

Third party proceedings are being brought against the architect, Mr. Geoffrey Stevenson.

Grundig and Philips bid for  
European video tape market

BY MAX WILKINSON

THE BATTLE for supremacy in the European video tape recorder market took a new turn this weekend with the announcement that Grundig and Philips are co-operating on a new machine intended to challenge Japanese imports.

The new machine, the Video 2000, is controlled by a micro-computer and offers up to eight hours' play from one tape cassette. It uses the first video tape cassette which can be played on both sides, like an audio cassette. This will enable it to be much more economical in the use of tape compared with the rival machines developed by Sony and Matsushita in Japan. The cost of a tape is expected to be around £2.20 for an hour's playing.

The machine offers a wide range of facilities including the ability to be preset to record television programmes off the air up to 16 days in advance. It

can also be used to record programmes while the TV set is being used to watch another channel.

It is expected to be on sale early next year at a price which will probably start slightly higher than that of its Japanese rivals. They now retail at £600 to £700 in the UK.

Philips and Grundig, the only European manufacturers of video recorders for the domestic market, are clearly hoping that the machine will enable them to recover some of the market share which has been lost to the Japanese in the last year.

The market leader at present is the Video Home System (VHS) developed by Matsushita, which has been offered for rental in the UK by Thorn and Granada. It is followed by the Betamax format developed by Sony. Both have been out-selling N1700 from Philips which suffers the disadvantages

of being the first consumer-oriented machine on the market.

It is bulkier than its rivals and considerably more expensive in its use of tape.

The Video 2000 uses a different type of tape cassette from that of the N1700, and both are different from either Japanese offerings. Grundig's current machine developed from the N1700, also has a different tape format.

Consumers will thus be faced with five incompatible systems. None of these different types of machine can play tapes designed for any of their rivals.

Most analysts of the market agree that such a large variety cannot survive. Even when the earlier machines of Philips and Grundig are phased out of production, three incompatible systems will be left, all of which will be competing to become a world standard.

video tape recorders and comprehensive sound and vision facilities. The 11-metre long vehicle will be built on a Seddon Pennine chassis modified with an increase load-bearing capability. On-the-road value the vehicle will be about £900,000.

REISS ENGINEERING has received orders worth more than £120,000 for Ronningen-Petter filter assemblies from Wiggins Teape, Thames Board Mills and Bowaters. The equipment will be used for filtering size and screening high solids coating.

A contract worth almost £1m has been placed with MORCEAU FIRE PROTECTORS for more than 60,000 sq metres of Marine Mandolite for structural fire protection on Mobil's concrete Stafford B platform.

Thames Television has placed a contract with LINK ELECTRONICS, Andover, to construct a production colour outside broadcast vehicle for six-camera operation. The unit will carry

## CONTRACTS

## Dubai cold stores cost £7m

Three cold store complexes with more than 2.7m cu ft of refrigerated capacity are being built in the United Arab Emirates by the O'GORMAN GROUP for the Bhatia Engineering Corporation, Dubai. They will cost more than £7m. Each complex has a capacity of 910,000 cu ft and comprises 40 variable temperature stores capable of refrigeration down to -30 deg C in a maximum ambient of 45 deg C.

Contracts worth £2.3m have been placed by the National Coal Board with 10 UK companies for

# Petrol rationing ruled out as prices soar

By MOR OWEN

INDUSTRY, COMMERCE and private motorists must prepare themselves to face oil and petrol shortages in Britain, says the Energy Minister, Mr. Denis Howell, in the Commons yesterday.

Mr. Howell, who also underlined the Government's determination to ensure that a higher price is obtained for North Sea oil, ruled out the immediate introduction of rationing or special allocations for key industries.

But he promised that particular areas of shortage would be brought to the attention of suppliers.

While Labour MPs accused him of "hypocrisy", the Minister argued that the Government's approach to the world energy crisis was "not affecting the way of the alternative they had advocated."

He declared: "The users of oil and the consumers of petrol for the foreseeable future are going to have to find some ways of economising."

There is no way in which we can declare certain groups immune from shortages and a new era of high cost energy which faces this nation, every worker and every consumer."

Referring to Dr. David Owen, Labour's shadow energy minister, Mr. Howell stated that further increases in the price of petroleum products must inevitably flow from the decision of the OPEC producers to Geneva last week to increase crude oil prices.

As for distribution, action taken by the Government should contribute to improved supply in the third quarter of the year, although he recognised that particular difficulties remained in some areas, especially, although not exclusively, for farmers and rural communities.

The UK Petroleum Industry Association has undertaken to handle the requirements of customers with problems in times of crisis, as flexibly and simply as supply constraints allow, particularly where the harvest and the weather impose sharp seasonal increases in agricultural fuel needs.

There has been no significant change in the way South Africa gets oil supplies under the aegis of BP, Mr. Howell told the Commons.

The proposal made by BP concerning "swap" arrangements with Conoco involving North Sea oil had been put to the Labour Government. Labour Ministers had not said "Yes" and had not said "No", and BP had been left without an answer.

"I think one should be very careful about exaggerating any alleged changes that have taken place, because this could do immense and lasting damage to Britain's national and business interests in Africa and throughout the world."

Dr. Owen protested that some garages were already reported to be charging £1.40 and £1.48 a gallon for petrol even though the supplies affected by the OPEC increase imposed by the OPEC

countries in Geneva would not be reaching Britain for four or five weeks.

"How can you justify such large increases?" he demanded amid Labour cheers. The powers available to the Government under the Price Commission Act should be used to prevent profiteering.

Dr. Owen contrasted the Minister's refusal to consider the introduction of an allocation system with the demand made last week by Mr. Edward du Cann, chairman of the Conservative backbench 1922 Committee, that the Government should declare a state of emergency to safeguard fuel supplies for agriculture.

Mr. Howell replied that oil prices had been rising very rapidly over recent months—30 per cent since the beginning of the year—if not officially through decisions by OPEC because of the premiums charged by individual members of that organisation.

The agreement reached in Geneva merely consolidated many of these increases. He claimed that the pricing policies pursued by the Labour Government had created shortages of oil which the present Government had helped to ease by the changes made during its first weeks of office.

These shortages would be recreated if the powers available under the Price Commission Act were to be used. But where there was evidence of local monopoly abuse or profiteering, this should be referred to the Department of Trade.

"It is my clear policy—and I believe it is the right policy—to allow the market price to find world levels, and that will ensure that supply and demand remain and that the British consumer will get a fair deal."

## Ministers set on benefits taxation

By Richard Evans, Lobby Editor

MINISTERS are still considering taxation of unemployment benefit and legislation to ensure that trade unions carry more of the cost of strikes.

There had been speculation that these issues were too sensitive to pursue, but some Ministers, including Mrs. Thatcher, remain convinced they are necessary reforms. Legislation may be introduced after the summer recess.

Timing depends on the outcome of a Cabinet argument over whether trade union-related legislation should be introduced during the winter when conflicts between the Government and the unions over pay seem likely.

Mr. James Prior, Employment Secretary, is thought to be in favour of delay until the worst of the next pay round is over. But Mrs. Thatcher and other Ministers want legislation introduced before Christmas to ensure it reached the statute book during the first session.

Both the taxation of unemployment benefit and tighter legislation on strikers' benefit were part of the Conservative's manifesto proposals, and the unions have been warned to increase their reserves if they wish to finance strikes.

A scheme being considered in Whitehall would involve switching the payment of sickness benefit from the Department of Social Security to employers.

At present, an employee can draw sickness benefits after three days of work for up to 28 weeks.

## Joseph threatens to end Post Office monopoly

By PHILIP RAWSTORNE

SIR KEITH JOSEPH, Secretary for Industry, yesterday threatened to break the Post Office monopoly for the delivery of letters if unions did not co-operate in improving the service.

In a Commons statement, Sir Keith said he had called for reports in the next six months on the practicability and implications of possible modifications of the monopoly.

The move was immediately condemned by Mr. John Silkin, Labour's industry spokesman, as "ungracious and mean-spirited."

Post Office morale would not be helped by such "ill-considered threats," he declared.

But Sir Keith was warmly supported by many Tory backbenchers—Mr. Jack Bruce-Gardyne (Knightsford) said that public sector monopolies tended "to operate primarily for the benefit of those who work in them."

Sir Keith told MPs that the Post Office had a backlog of some 40m letters last week.

Extensive work to reduce the backlog over the weekend had brought improvements but problems still remained, especially in London and the South-East.

Sir Keith said that special circumstances—bad weather, staff shortages and letter bombs—had contributed to the difficulties.

But he added: "These problems have only confirmed that more needs to be done to improve the efficiency and productivity of the postal service."

"I have made this clear to the chairman of the Post Office, for whom I have great respect."

Sir Keith said he had been particularly disappointed that the Post Office's offer of better



Sir Keith Joseph

pay for reduced costs, higher productivity and better services had been rejected by the workforce.

"If co-operation to improve services is not manifest it will be necessary to review the Post Office's monopoly for the carriage of letters," he asserted.

Attacking the move, Mr. Silkin said that postal workers had shown they were willing to work appalling hours to ensure that the public got its mail.

When a previous Tory Government had allowed private mail operators in 1971, the services they provided had been strongly criticised, he said.

Sir Keith retorted that he had a duty to protect the public. Many postmen resented their long working hours.

"I understand it would be possible, in co-operation with

management, to serve the public better, at less cost and without such long hours by improving productivity."

Mr. Charles Morris (Lab., Openshaw), a former member of the executive of the Post Office Workers' union, pointed out that there were 10,000 vacancies for postmen.

Low basic pay, long anti-social hours and a six-day week were major causes of the problems, he suggested.

Sir Keith repeated that many of the difficulties could be solved by negotiations to secure higher productivity.

Mr. Allan Roberts (Lab., Bootle) said that morale of postmen was being sapped by the kind of statement made by Sir Keith.

Many trade unionists felt that a wages confrontation was being encouraged by the Government to justify its policy of breaking the Post Office monopoly.

Sir Keith curtly rejected the idea. A Post Office pay offer had been turned down in spite of a recommendation from union leaders to accept it.

Proposals to use casual labour to help clear the backlog of mail had also been refused, he said.

Monopoly had its responsibilities and obligations as well as its privileges, Sir Keith declared.

Mr. John Page (C. Harrow West) said that Sir Keith's statement was "sensible and welcome."

And Mr. Ivan Lawrence (C. Burton), describing the recent crisis as the "last straw" after years of organisational chaos, said there would be "tremendous practical support for a full review of the Post Office monopoly."

## Speaker offers apology to Rooker

THE SPEAKER, Mr. George Thomas, yesterday apologised to Mr. Jeff Rooker (Lab., Perry Bar) the Opposition social services spokesman, for remarks he made on Friday concerning the conduct of a vote in the Commons on Thursday night.

He accepted that by holding up a notice advising his Labour colleagues to stay on the premises to take part in later votes, Mr. Rooker had in no way exceeded long established custom.

"I offer my apologies to Mr. Rooker in this matter," said Mr. Thomas.

The Speaker added that the Deputy Sergeant-at-Arms, who reported on the incident "had not seen the smaller writing on the notice, but merely the words 'stay here'."

"Every Speaker must be prepared to accept responsibility for statements made by him from the chair, and I offer my apologies to Mr. Rooker for my statement in this matter," said Mr. Thomas.

Thursday's division was one of a series on a Private Bill giving extra powers to the West Midlands County Council.

Coal stocks low

COAL STOCKS are significantly lower this year than at the same time last year.

Mr. John Moore, junior Energy Minister, told the Commons yesterday that total stocks at the pit head and at power stations stood at 27.4m tonnes in June compared with 31.5m tonnes in the same month last year.

## Insider dealing promise

By Our Parliamentary Staff

INSIDER DEALING will be dealt with in the new Companies Bill, Mr. Reginald Eyre, Trade Under-Secretary, told the Commons yesterday.

"I accept the need for legislation on this kind of problem, but the Government's answer can be found in the different problems of definition."

Mr. Eyre said that the elements was not the principle of dealing with the problem, but of finding a precise definition of what constituted insider information.

Vietnam complaint

THE Government was urged yesterday to cancel £4.5m aid towards the building of three cargo ships for Vietnam, Mr. Michael Giffys (C. Surrey NW) added: "It is not suitable for British taxpayers' money to be used as a gift for a Government which is behaving worse than Hitler did."

Radio help line

FISHERMEN were urged in the Commons yesterday to make more use of the special open line radio channel set up in April to help boats in trouble. Trade Under-Secretary Norman Tebbit said that the open line, which enables vessels outside VHF range to keep in touch with the shore through the night, could save many lives. He hoped more fishermen would use it this winter.

Parole review

THE GOVERNMENT is to publish an assessment of the workings of the parole system after its first 10 years, peers were told yesterday.

## National Liberation Army is banned

THE IRISH group believed responsible for the murder of Mr. Airey Neave at the House of Commons is to be banned throughout the United Kingdom, Northern Ireland Secretary Mr. Humphrey Atkins announced yesterday.

Membership of the Irish National Liberation Army will become a criminal offence, Mr. Atkins told the Commons. He had already made an Order banning the organisation in Northern Ireland. The Home Secretary would bring forward legislation to extend the ban to the rest of Britain.

Mr. Atkins made his announcement during discussion of the continuation of direct rule in Northern Ireland, and of the special powers the Government exercises there.

He also disclosed that the Government was preparing to implement virtually all the proposals of the Bennett Report on RUC interrogation procedures.

Mr. Atkins warned MPs that statistics on security in the Province were not encouraging. "All the information I have been receiving about the operation of the terrorists is disquieting," he said.

During the past two years, the IRA had been "regrouping, re-training, re-equipping themselves and rethinking their future tactics."

The Northern Ireland Secretary admitted that direct rule from Westminster—which he opposed by Northern Ireland MPs of all parties—was only a "stop-gap."

But he replied to repeated calls for a political initiative for the province: "The initiative is already under way. The moves do not have to be eye-catching or dramatic." Talks with local politicians had already begun and would continue.

My role is not that of a conjurer who can produce rabbits out of a hat. Solutions will only be found by and with

the people of Northern Ireland themselves."

He also defended the Government's economic record in Ulster. Replying in particular to former Northern Ireland Secretary Roy Mason's attack on the ending of the selective employment premium, he said the scheme had offered very little incentive to employers.

And he stressed that law and order spending was not affected by the Budget's £35m spending cuts for Ulster.

Mr. Atkins also implicitly rejected calls for the recall of troops from the province. "The defeat of organised terrorism calls for the strength, skills, and weaponry that only the Army can deploy," he said.

Mr. Atkins promised to give special attention to the areas on both sides of the border with the Republic. Improved co-ordination and co-operation between security forces in the Republic and Northern Ireland was essential.

It was crucial that the Government continued to provide resources for policing and the fight against terrorism. He had in mind the immediate advancement of the final stages of the police pay award.

Information obtained from intelligence was one of the main keys in penetrating terrorist organisations and activity. He was ready to sanction additional resources for such work.

Mr. Atkins stressed: "I do not in any way accept the sweeping allegations made in some quarters about the RUC's conduct of interrogations. 'The successful interrogation of suspects is a vital weapon for the armory of the security forces and I will not see it needlessly blunted.'"

The security situation in Ulster did not justify scrapping any of the provisions in the Government's emergency powers for the province, Mr. Atkins said.

## West leaves Unionist leadership

By OUR BELFAST CORRESPONDENT

MR. HARRY WEST yesterday resigned from the leadership of the Official Unionist Party, after weeks of speculation about his future brought about by his personal showing in the European elections.

The 62-year-old Co. Fermanagh farmer (left) is handing over to Mr. James Moynihan, leader of the Unionist MPs in the Commons, until a new party leader can be elected in the autumn.

His desire to stand down after five years at the helm was communicated to the party in a letter more than a week ago.

It followed evidence of waning support for the Official Unionists who lost two seats to the Rev. Ian Paisley's Democratic Unionist Party in the general election.

The Official Unionist Party now has several weeks to decide where it can challenge Mr. Paisley's increasing popularity. The party's 1,000-strong council will meet in September to elect a successor to Mr. West, who became leader in 1974 after

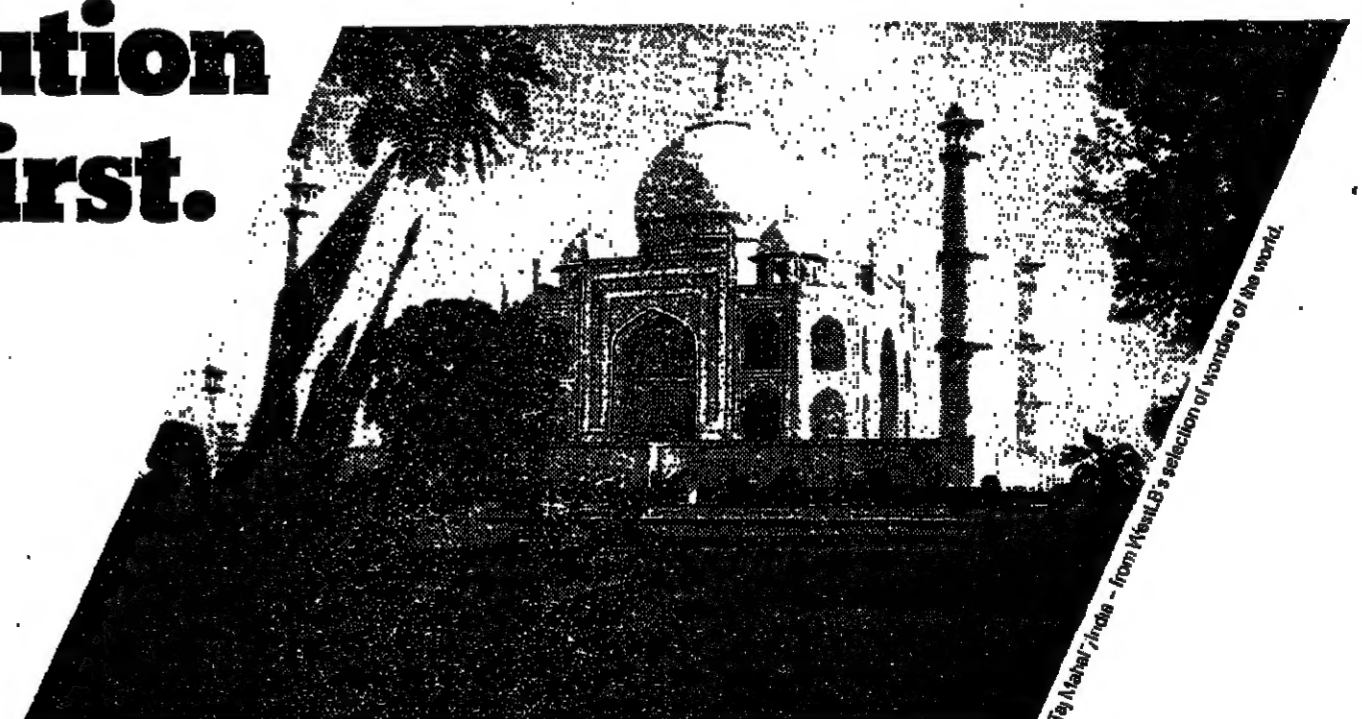
the departure of the late Lord Faulkner, then Brian Faulkner. Mr. Moynihan and the Rev. Martin Smyth, head of the Orange Order, appear at present to be the only contenders for the leadership.

Mr. West has always protested that he accepted his position only out of a sense of duty at a time when talent was scarce. It has become increasingly evident that he wanted to step down although the party executive asked him a week ago to reconsider.

He faced a rebellion from some party members after his defeat in last month's European elections when he polled fewer votes than his younger colleague, Mr. John Taylor.

Mr. West was an Agriculture Minister in the now defunct Stormont Government and held the marginal Fermanagh-South Tyrone seat at Westminster briefly between the two 1974 general elections. He was a member of the former Northern Ireland Assembly and later of the Constitutional Convention.

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## THE JOBS COLUMN

## Recruiters' ideas on what makes a manager

BY MICHAEL DIXON

WHAT do recruitment consultants look for when interviewing candidates for some particular kind of managerial job in a client-company?

Any reader murmuring answers such as "service genius" or "the echo of their own prejudices" should be ashamed of being so cynical. It would surely be no more than reasonable, however, to suppose that different consultants have widely differing views about the type and relative importance of the attributes needed for success in a given managerial post.

No doubt numerous head-hunting concerns suspect that they suffer from such inconsistency. Certainly Boyden International did, and it lately decided to stop just worrying and to test the criteria used by its five dozen consultants in 29 offices in the United States, Britain and various other countries.

To carry out the test, Boyden engaged the Rohrer, Hilber, Replogle Institute of New York. In the first stage of the research, which started in April, the consultants were faced with 25 skills or other elements of managerial behaviour variously grouped into five main attributes. These were: (1) to translate from the peculiar language of psychology which is apparent in the native tongue of institutes such as RHR; the abilities to

communicate, to administer, to solve problems, and to influence other people, plus the quality of the manager's own "motivation."

Boyden's head-hunters were asked to consider each of these five, and then rank the different constituent skills or other elements in order of their importance to the attribute as a whole. Then they were asked to rank each of the five attributes according to their importance in seven kinds of managerial work.

The results of this two-step exercise were differentiating between the consultants working in the U.S. and those elsewhere—have just emerged from the institute. And thanks to Lord Birdwood of Boyden's London office, the Jobs Column can now disclose what he and his colleagues mainly look for when they are interviewing candidates for a job.

## Listening

When it came to judging the most important elements of a manager's ability to communicate, there was general agreement between the U.S.-based contingent and the group drawn from other countries. First was the skill of listening; second that of engaging in a dialogue; as distinct from indulging in a monologue—when talking with another person or in a small group; third was the skill of

speaking one's ideas with poise, relevance, persuasiveness and clarity; last was the craft of writing effectively.

There was general agreement, too, on the ranking of the three constituents of administrative ability. The most important was planning and organising in advance of events. Next came delegation, and then the skill of following-up so as to check that instructions have been understood and executed.

The problem-solving attribute was subject to disagreement between the two contingents about what was the most important of the five elements. Those in the States thought it was "judgment"—reaches appropriate conclusions from available information, and gave second place to "problem analysis"—grasps the source, nature and key dimensions of a problem. The Boyden consultants elsewhere ranked these two the other way round.

Both groups were agreed, however, on the order of the remaining three elements. It was: decisiveness in making a choice from various possibilities; being innovative in tackling problems; and applying abstract reasoning so as to formulate general principles from observed occurrences.

No dissent emerged over the relative importance of the four constituent parts of the ability to influence other people. In top place came "leadership" which the institute described as "directs the behaviour of others toward the achievement of common goals by charisma, insights or the assertion of will." Second was the skill of creating an impression of self-assurance and so commanding respect. Then came the demonstration of sensitivity to the needs and feelings of other folk. The fourth was "assertiveness"—takes an aggressive, forceful approach.

The matter of a manager's personal motivation, which the researchers considered to have nine elements, brought the widest disparity between the two contingents of professional interviewers.

The Americans gave pride of place to the application of sustained and well-directed energy in the pursuit of managerial aims. But "drive" was placed only second by the multinational group.

The U.S. choice for second was determination that a task should be carried out to consistently high standards, which the other contingent thought of fourth importance. Both groups were agreed on the third-ranking element. It was, famously expressed by Kipling: "If you can keep your head when all about you are losing theirs and blaming it on you." But the institute preferred the phrase: "functions in a controlled effective manner under stress."

Initiative, in the sense of readiness to be the first to start, came fourth in the States. Elsewhere it was viewed as the most important quality of all.

There was universal accord on the fifth and six places: perseverance, and adaptability. Seventh by the American reckoning came the willingness to take risks, followed by the self-reliance associated with acting on one's own judgment in spite of opposing expectations among other people and similar counter-influences. But here again, the consultants in other countries chose vice versa.

An active attitude towards one's own career, signified by the positive planning of personal advancement was placed last by both contingents.

## Seven jobs

They then ranked the five main attributes in their order of importance to the seven different kinds of management post. These were the results:

Top general manager—U.S. group: problem-solving, personal motivation, influencing people, communication, administration; Others: communication, motivation, influencing people, administration.

Finance manager—Both groups: problem-solving, admin, communication, motivation, influencing.

Marketing—Both groups: communication, motivation, problem-solving, influencing.

Sales—U.S. group: motivation, communication, influencing, problem-solving, admin; Others: communication, motivation, influencing, problem-solving, admin.

Engineering and research—U.S. group: problem-solving, motivation, communication, other; Others: problem-solving, motivation, communication, influencing, admin.

Manufacturing—Both groups: problem-solving, communication, influencing, admin, motivation.

Personnel and other staff work—Both groups: communication, influencing, admin, problem-solving, motivation.

So the outcome of Boyden's test, so far anyway, seems to refute the notion that different recruiters see the same kinds of job in widely differing ways. In the circumstances, the internationally scattered consultants showed a remarkable degree of consistency.

This is no guarantee that the 60 staff are right in their choice of criteria, of course. But if they aren't, they are at least all wrong in much the same way. And, in either case, the results could be of use to any readers who find themselves being considered for a job by Boyden International.

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A salary in excess of HFI 45,000 is offered and other employment terms and working conditions are attractive. Assistance will be provided towards relocation to the Netherlands and towards learning Dutch up to a good speaking and reading standard. The position offers excellent career prospects which are not necessarily restricted to auditing or the Netherlands.

Please send a full C.V. or 'phone for an application form to:

Alan Freemantle, Group Personnel Manager, Polygram Leisure Limited, 15 Saint George Street, LONDON W1A 2BR. Telephone: 01-499 3751.

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Please write briefly, by first class mail, to B. H. Mason at John Courtauld & Partners, Selection Consultants, 78 Wigmore Street, London, W1, or telephone 01-486 5282 during normal business hours quoting reference 678/FT.

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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## HANDLING

### Rising market hope

REFURBISHMENT of buildings has given hard-hit lift manufacturers a chance to regain some of the ground lost in the worldwide recession in the business. This recession has been aggravated by the swing away from high-rise to low-rise blocks and, so far as the UK is concerned by the fact that some 60 per cent of this country's requirements are supplied either direct from European sources or through manufacturing operations in the UK controlled from Europe.

One of the UK's foremost manufacturers of lifts, Hammond and Champness, is fighting back by taking advantage of the latest technological developments and by aiming its marketing strategy at the move away from high-rise buildings and at the increasing need for making the best of existing buildings.

The company specialises in oil/hydraulic lifts and reckons it is the market leader in this type with a range covering direct-acting, side-acting, cantilevered and suspended applications together with small packaged units for old people's homes and twin-ram applications for hospital bed lifts.

The oil/hydraulic principle, it is claimed, can cover all requirements in low to medium-rise buildings designed as offices, high-quality flats and hotels. A special range of lifts is also being produced for use in areas where vandalism is a problem.

So far as research and development is concerned the

company considers itself among the leaders in the lift field. One of its most useful facilities is located at the parent company's works at Memphis, Tennessee, where a lift test tower 11 floors high is available. It can be used for testing up to four lifts at a time—from a simple type for low-rise buildings to the most sophisticated lift travelling at up to 1,000 ft per minute.

Hammond and Champness says that for the growing refurbishment business it has developed a unique capability for installing oil/hydraulic lifts in old buildings which have structures unsuitable for or are unable to bear the additional load which would be imposed by normal electric traction lifts. Lifts, often tailor-made, have already been installed in listed buildings without major structural alterations.

A fundamental part of the lift business is concerned with servicing and repairs and as Hammond and Champness does not have to depend on imported components and spares it claims to have advantages over many of its competitors. Servicing facilities are available from 17 branches spread around the UK.

The company expects to produce over 300 new lift units this year of which some 20 per cent will be for refurbished buildings. It has recently updated its "Lift Planners Handbook" and this can be obtained from its head office at 159-173 St. John Street, London EC1V 4JQ (01-253 8081).

## RESEARCH

### Photos down a gas well

PHOTOGRAPHIC team from Harwell has successfully taken pictures nearly 8,000 feet down inside an operational gas well under the North Sea.

Object was to find an unknown obstruction for Conoco and the camera used was based on a unit from Underwater and Marine Equipment of Farnborough. Three-and-a-half inches in diameter, it has its own illumination in the form of an integral ring flash inside the mild steel housing, with twin glass windows to separate imaging and illuminating fields.

Testing was first carried out at Harwell in methane gas at 3,800 psi and 80 degree C.

Although it was built specifically for this purpose, the team thinks it might be useful in other applications where photography is needed in restricted-size tubes or in conditions of high pressure and temperature—possibly in the chemical engineering field.

Enquiries to Mr. C. R. Arnold, Photographic Group, Building 354/11, Harwell, Oxfordshire OX11 0AR (0235 24141).

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sandwich of cold-rolled, electro-galvanised mild steel with a visco-elastic core. Standard overall thicknesses available ex-stock are 0.8 mm, 1.2 mm, 2.3 mm and 3.3 mm. Other thicknesses up to 6.5 mm are on 6-8 week delivery.

In addition, the material can be supplied symmetrical (both facings the same thickness) or asymmetrical. Different face metals can be combined to suit special needs; for example work hardening stainless steel on one side and mild steel on the other. It is normally supplied in sheets 1,000 x 2,000 mm or 1,250 x 2,500 mm, and priced by the square metre. The company will supply any quantity from a single sheet up.

Noise Control International is a young British company, and claims to be one of a very few specialising in all aspects of noise control, from investiga-

tion services through design and fabrication to installation in the soundproofing of plant and buildings. In addition to supplying the material, the company is able to advise on which particular grade of Steelacoustic, to specify and, if required, on the design of structures for particular applications.

Mechanical properties of Steelacoustic, such as flexural rigidity and buckling strength, are generally comparable to those of two sheets of metal laid loosely one on the other: the tough but soft, "mobile" intermediate layer of thermoplastic is one of the vital elements in sound-deadening characteristics. But this does not add to the tensile or compressive strength of the panel.

Fatigue strength, however, is much higher than single or unbonded double sheets

because the thermoplastic layer makes the material much less prone to fatigue failure. During tests a conventional solid sheet fractured after 17 hours, whilst a Steelacoustic panel of comparable thickness subjected to the same tests took 11 days before failure.

Selection of the grade and thickness of Steelacoustic as a structural substitute for conventional single sheets is readily made, according to a well-proved formula; and the company will advise on this aspect. Similarly, though most traditional forming and joining methods can be applied to the material, the company will provide guidance on the best techniques for particular applications.

Noise Control International, Hutech Services, 38, Market Place, Chippenham, Wiltshire SN14 5QJ.

## PACKAGING

### Labels are bound to stick on

NORPRINT is among the leaders of labelling systems in the UK for food, pharmaceutical, toiletry, cosmetic industries, etc.

It has just launched a fully-automatic, in-line or free-standing self-adhesive labelling system produced at Horncastle Road, Boston, Lincs (0205 65161).

Two models are offered in the Lacerta range: the Twin and the Wrap-Round; both are designed automatically to label products with a combination of flat and curved surfaces, as well as items of regular shape. Labels can also be applied to products with projections, such as handles. Twin units can label both sides of a product simultaneously, and the wrap-round is suitable for applications needing labels either part or fully wrapped round the product. Printing facilities include batch-coding, date and price. Up to two lines can be printed.

The dry-print model, called Volantis, is a fully automatic self-adhesive label printer and applicator which can be incorporated into existing packaging/filling lines or supplied with a purpose-built conveyor.

Many different coloured inks are available and the system is expected to become popular in the food and pharmaceutical industries, says the company, where the print quality demands are very fastidious.

## ENERGY

### Heating and cooling costs cut

WHEN SWEDISH research engineer Carl Munter designed his heat recovery wheel in 1959 he little knew that 20 years later it would have an important role in energy saving in such diverse applications as a Doncaster bus garage, a Poole, Dorset, swimming pool and a Middle East hospital project.

However, these are but a few of the locations in which this device, called the Econvent, is now to be found and Acoustics and Environmentics which is marketing it is preparing for a fresh surge of interest in this means of saving energy when ventilating, heating or cooling buildings.

Rotating wheel heat recovery units have been used for very many years in industry, but when Munter found that if the materials from which they were constructed were changed so that they were in part hygroscopic then the water vapour in the exhaust air would be absorbed by the heat exchange material of the wheel matrix, thereby giving up its latent heat for recovery.

As a result, the original heat recovery wheel's efficiency at the turn of the century of 30-35 per cent when applied to ventilation air heat recovery systems has been raised to 75 per cent and, claims Acoustics and Environmentics, as high as 93 per cent for short periods under ideal conditions.

Main component of the Econvent ventilation heat recovery unit is the rotating matrix. This is in the form of a wheel vary-

ing in diameter from under 600 mm to over 3.6 metres and 200-250 mm thick. It looks rather like the end of a large roll of corrugated cardboard, the material is a fibrous type of asbestos paper. Flat and corrugated sheets of this material are cemented together alternately and rolled one upon the other to form a cylinder which then comprises a multitude of air passages between 1 and 1½ mm in diameter.

After construction the wheel is processed in a patented treatment to drive the crystal water from the asbestos and to replace it with a hardening desiccant salt, lithium chloride, to give the wheel a crisp biscuit-like texture.

The matrix wheel has a hard central core forming a axle which runs at either end in ball races which are housed in the chassis encompassing the wheel. Within the chassis, or adjacent to it in the case of small units, there is a small electric motor which drives the wheel's rotor at a maximum speed of ten rpm.

One of the more unusual applications for the Econvent, as hinted earlier, is at South Yorkshire Passenger Transport

Executive's Doncaster bus garage for which ten units have been ordered at a cost of over £41,000. These units will be used to keep heat in and diesel fumes out and will be capable of handling 120,000 cubic feet of diesel fume contaminated air a minute from the garage's extract ventilation system and transferring the heat to incoming fresh air.

At the Dolphin swimming pool at Poole, Dorset, a heat recovery system based on four Econvents has been installed and it is expected that the project will pay for itself within 18 months of start-up.

Third of the latest orders for Econvents has come from Saudi Arabia. This is worth over £51,000 and calls for a number of units for installation in a building in Dammam for the Health Training Institute of Saudi Arabia.

Purpose of these units, one for delivery in August, is to recover "coolth" from the air conditioning installation, and use it to reduce the energy needed to keep the building cool in the hot Saudi climate. Acoustics and Environmentics has its headquarters at Ruxley Towers, Ruxley Lane, Claygate, Surrey KT10 0UF. (78-2821.)

### Blocks cure themselves

SAVINGS OF about 45,000 gallons of fuel oil a year will result from the design of a new concrete block production unit by E. H. Bradley Building Products of Swindon.

Bradley's engineers designed the plant after visiting similar installations throughout Europe, but instead of following the normal practice of steam-curing the concrete blocks, the Bradley design conserves the heat naturally given off by chemical reaction when concrete cures, to produce equally high-strength solid concrete blocks at a rate of 175,000 a week. Elimination of the oil-fired steam process saves 45,000 gallons of fuel a week.

The new unit is a 24-hour continuous production system of 175,000 blocks a week. It is a completely new system of both curing and sealing such fabrics has been introduced by Dwyer, Western Avenue, London W14 9TF.

The Series 7010 ultrasonic cutting and sealing equipment. The idea is very simple. An "anvil" is placed beneath the fabrics to be trimmed or joined and a cutting wheel is positioned above the material. This vibrates at

a 200-tonne-an-hour capacity washing and screening plant has been constructed and there are new production facilities for Bradstone reconstructed stone roofing slates and paving. Each of these units is now fully operational.

In designing the static block plant, the engineers selected sections of the entire package design to give optimum results in terms of product quality and economics. Raw materials are handled by a Winget low-level batching and mixing plant capable of mixing 100 cubic yards an hour. This has been integrated with an MAS Bendorf blockmaking press which in turn is served by the Danish-made Harrup curing and stacking system modified by wracking and sheeting to provide self-curing in 24 hours.

E. H. Bradley on Swindon (0783) 28131.

## PROCESSES

### Colours the embossed characters

APPLICATION OF colour to the type of embossed characters on plastic cards is made easier by the Model 100 machine from Farrington Division of Dymo Business Systems.

Disposable foil cassettes are used which allow easy replacement without effort or mess. When used up the cassette is simply removed and thrown away or kept for audit purposes. In addition, use of foil in cassettes means that colours can be quickly changed.

Embossed cards are placed in a chute at the top of the unit, one at a time and gently depressed by a couple of seconds while heat and pressure tip the characters and the foil is advanced ready for the next card.

Either A (CR80) or F (CR50) size cards can be typed and with minor adjustments thinner than normal cards can be dealt with.

The foil cassettes are supplied in packs of three in gold, blue, black or white; each cassette gives 1,000 impressions. The company is at Bromwells Lane, Redham, Midx TW13 7DY (01-751 6141).

### Reclaiming used oils

TYPICAL APPLICATION for unit type OTU2/150, developed by Alfa-Laval Company, Great West Road, Brentford, Middlesex (91-580 1221) is a swarf house where the oil spun off from the lathe can be cleaned and returned to the workshops, and any water or soluble oil present will be separated out and discharged.

Unit is designed to process batches of oil up to 150 gallons in volume and has a cycle time of about 34 to 4 hours, depending on the amount of sludge.

## COMMUNICATIONS

### Big panels for display

ABLE TO meet most marketing display requirements in exhibition areas within companies and in similar venues is a standard package of panel based on the Fleetbuild SB system able to provide a 14 metre run of display area.

Contents are six J-curve panels, four 1 metre wide flat

Wang's now recognised as the second largest supplier of small business computers in North America and the largest worldwide supplier of screen based word processing systems. It is doing very well in the UK too.

Telephone: Northwood 28213

**WANG**

COMPUTER AND WORD PROCESSING SYSTEMS

ing on the degree of temperature elevation required. It must be stressed, however, says the company, that the heating is to reduce the viscosity of the oil prior to centrifuging and in no way does the oil become sterilised.

### Mixers last longer

GREATLY increased life has been given to the range of Morton Machine's Multimax commercial mixing machines, especially when used for mixing abrasive materials. The entire end bearing can be dismantled and worn inner liners removed and replaced with only minor delays to production schedules.

Each machine in the new range is supplied with several sets of mixing ploughs and spare liners. All can be fixed by operators without the need for extensive or specialist training. Morton Machine, a Fedman Heenan International subsidiary, is at Atlantic Works, Wishaw, Lanarkshire ML3 0AD.

## TEXTILES

### Produces a neater join in fabrics

FOR YEARS the textile industry has been searching for an alternative to sewing and, even better, something that will eliminate the need for sewing threads.

It was proposed, when the first thermoplastic synthetic fibres were introduced, that possibly there could be some simple system of melting together or even "spot-welding" thermoplastic fabrics, but little progress was made with this concept as the toughness of melted edges was generally felt to be unacceptable.

A completely new system of both cutting and sealing such fabrics has been introduced by Dwyer, Western Avenue, London W14 9TF.

The Series 7010 ultrasonic cutting and sealing equipment. The idea is very simple. An "anvil" is placed beneath the fabrics to be trimmed or joined and a cutting wheel is positioned above the material. This vibrates at

ultrasonic speed and is able both to cut and join the materials. In earlier developments of this kind there was a problem of sawdust and heat causing damage to the vicinity of the equipment because of metal-to-metal contact, but Dawes claims that with the Series 7010 this has been overcome.

The series is built in a range of three—450, 900 and 1400 W—to meet the needs of various types of weights of materials.

The system is simple and because it is cold there is no risk of contamination on either anvil or horn and the join between two materials is no thicker than the original fabrics.

Now application for the new process is in trimming away carpet backings, cutting and sealing bra straps, seaming waterproof garments, the production of disposable protective clothing and a number of other possible end-use applications.

## ITALIMPIANTI

società italiana impianti p.a.

The following figures, in millions of U.S. dollars, are from the report on the balance sheet for the year ending December 31, 1978.

	Balance 1978	Balance 1977
CAPITAL	12.05	(11.48)
LEGAL AND EXTRAORDINARY RESERVES	15.67	(10.33)
NET PROFIT	9.04	(12.88)
TOTAL BILLING	644.00	(580.00)
WORK LOAD	2,338.00	(1,604.00)
NUMBER OF EMPLOYEES	1,775 =	(1,624) =
- Exchange (UICE rate) Italian Lire : \$	829.75	871.00

ITALIMPIANTI is the company of the IRI-Fininvest Group which specializes in plant engineering. The company designs and constructs complete industrial plants, the several parts of which are composed utilizing the relevant specific technologies.

ITALIMPIANTI collaborates with other companies in the IRI-Fininvest-Finmeccanica Group in order to develop marketing, production, research and new technology. In this manner, the maximum range of plant and relative services are available to the customer from within the group as a whole.

The services provided include:

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- Site supervision.
- Start-up and testing plus on-going assistance in the running of the plant after acceptance by the customer.
- Training and qualifying of new personnel for the plant.
- Solution of the financing, commercial, purchasing and organizational problems encountered with a new plant.

ITALIMPIANTI has an active role in many industrial sectors: the iron and steel industry, non-ferrous metals, ecological projects, cement factories, desalination plants, energy, shipyards, the car industry, mine engineering and industrial site planning.

ITALIMPIANTI has also extended its business organization to many countries overseas. Other than the following branch offices: Buenos Aires, Tehran, Mexico City, Kinshasa, and the Italimpianti-owned companies of: Italimpianti do Brasil (Rio de Janeiro and São Paulo), Italimpianti Deutschland (Düsseldorf), Italimpianti of America, Inc. (New York), the following joint ventures are also formed: Iran International Engineering Co. (IRITEC) - Iran, Tecnicon - Impianti e Tecnologie Coniunte with the U.S.S.R., Egipalec - Egyptian Italian Engineering and Construction - Egypt.

### PLANTS CONSTRUCTED OR UNDER CONSTRUCTION 1978

#### Iron and steel industry:

- primary area and rolling mill area of the 3,000,000 tons/year steel plant at Bandar Abbas, Iran.
- 10.5 meter hearth diameter blast furnace, including the relevant raw materials storage yards, at Piombino, Italy.
- 700,000 tons/year B.O.F. steelshop for Nixex (Hungary).
- stackers and reclaimers for C.V.R.D. (Brazil), rebuilding of numbers 1 and 2 coke oven batteries for Italsider - Bagnoli (Italy).
- direct reduction plant for IRIFRD at Piombino (Italy), billet reheating walking beam and rotary hearth furnaces for various Italian companies: vertical continuous steel strip annealing furnace for the Italsider Oscar Sinigaglia plant at Cornigliano; soaking pits for Arbed (Luxembourg); heat treatment car type furnaces for Vissia (Brazil).

#### Other sectors:

- nuclear power plant at Cordoba (Argentina);
- five car type furnaces and two soaking pits for Autopromimport (U.S.S.R.).
- nickel ore handling machine in New Caledonia (French Overseas), extension to the cement factory for Cementar at Livorno (Italy), completion of the desalination plant at Taranto, four waste water treatment plants and one solid waste incineration plant in various locations in Italy.

Copies of the 1978 balance sheet are obtainable from: ITALIMPIANTI S.p.A. - Relazioni Esterne - Piazza Piccola, 9 - 16121 GENOVA, ITALY. Telephone 59981 - Telex 270238 - 270262 - 271390 - 271335 (ITMP).

iri-fininvest group

مركز التحليل

## INSTRUMENTS

### Two meters launched

MULTIMETERS have been introduced by both Farnell and Keithley for bench-top use.

The Farnell Instruments Model 169 has a 3½ digit liquid crystal display with 0.6 inch characters and offers five functions which are selected together with the range, by colour coded buttons. Measurements of ac and dc voltage and current, and resistance, can be made over 26 ranges with upper limits of 1,000 volts dc, 200 mA and 20 megohms. More from 1 Boulton Road, Reading, Berks RG2 0NL (0734 861287).

from Sandbeck Way, Weatherby, Yorkshire, LS22 4BD (0937 6811).

The Keithley Instruments Model 169 has a 3½ digit liquid crystal display with 0.6 inch characters and offers five functions which are selected together with the range, by colour coded buttons. Measurements of ac and dc voltage and current, and resistance, can be made over 26 ranges with upper limits of 1,000 volts dc, 200 mA and 20 megohms. More from 1 Boulton Road, Reading, Berks RG2 0NL (0734 861287).

### Inexpensive telemetry

PHYSICAL QUANTITIES measured electronically at a remote site can be displayed on a screen.

The company is willing to supply the equipment in part or in total. The controlling system is able to arrange the display of a wide range of data already in use by the customer in a station, the equipment can be connected to a central computer via a V24 interface.

can be interrogated individually if required.

The company is willing to supply the equipment in part or in total. The controlling system is able to arrange the display of a wide range of data already in use by the customer in a station, the equipment can be connected to a central computer via a V24 interface.

The second  
**UNIT LOAD SHOW**  
Wembley Conference Centre  
4-6 July 1979 Bigger and better - over 100 exhibitors!

Further information from PEL Communications, PO Box 83W, Wembley, Middlesex HA9 9NU. Phone 01-906 2122.

Free admission  
tickets available  
at the door to  
business visitors



# BUSINESS AND INVESTMENT OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

## INVESTMENT OPPORTUNITIES

in the £160,000,000 p.a. Unit Load Industry

### Materials Handling and Packaging

## UNIT LOAD SHOW

### Wembley Conference Centre

### 4-5-6 JULY

See Technical Page of Financial Times 3rd and 4th July  
Tel: 01-908 2122

## DISTRIBUTION COMPANIES

### IN EUROPE

## FOR SALE OR MERGER

Large British group with many overseas interests wishes to merge or sell its European network of distribution companies dealing in Gifts/Toys/Stationery products.

All companies are autonomously managed, have good warehouse facilities, sound computerised administrative systems and operate small national sales forces. The products, which are of a seasonal nature, are sold to wholesalers, chain stores, general retailers and some specialist shops.

It is believed that this group of companies could form the basis of a partnership with a suitable business wishing to expand sales into Europe and yet retain sales control. Alternatively, the holding company are willing to consider outright sale.

Principals only are invited to reply to Box G4111, Financial Times 10 Cannon Street, EC4P 4BY

## PRODUCT DISTRIBUTION

### — SCOTLAND

Strategically sited Edinburgh company with excellent warehousing and outside storage facility becoming available can offer to break bulk, stock and distribute any products throughout Scotland. The company would also be interested to act as Scottish or UK Stockists/Agents for British or overseas companies ideally with products selling through Builders' Merchants.

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seeks expansion by amalgamation with companies manufacturing end products which are related to process engineering, electronics and leisure markets. C.T.C. problems may be resolved or cash available.

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Financial Times  
10 Cannon Street, EC4P 4BY

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## IMPORTERS

## EXPORTERS

Find new business leads in Import/Export Opportunities Digest, the new monthly listing of overseas companies who are currently and actively seeking trade contacts with their British counterparts.

For details write to:  
Import/Export Opportunities, Dept. FT, 15, Salvage Lane, London NW7 3SE.

## A UNIQUE OPPORTUNITY

is offered to two young men professional salesmen in U.K. August. Ring-Back Ltd. is a leading manufacturer of electrical and electronic products. The company is seeking two young men to join an aggressive established company marketing electrical and electronic products. The company is seeking two young men to join an aggressive established company marketing electrical and electronic products.

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Markengraben 127, Wanken 8780  
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## Required

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Principals only write in first instance to:

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### DIVIDENDS PAYMENT OF CAPITAL - UNITED KINGDOM CURRENCY EQUIVALENTS

In accordance with the Standard Conditions relating to the payment of the dividends declared by the Gold Fields Group of Companies (the "Group") on 12 June 1979, the dividends payable to the holders of the ordinary shares of the Group are as follows:

Name of Company	Dividend	Amount per share
Gold Fields Group of Companies Limited	12	25.812500
Gold Fields (Nigeria) Limited	12	25.812500
Gold Fields (Kenya) Limited	12	25.812500
Gold Fields (Tanzania) Limited	12	25.812500
Gold Fields (Zambia) Limited	12	25.812500
Gold Fields (Botswana) Limited	12	25.812500
Gold Fields (Mali) Limited	12	25.812500
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Gold Fields (Liberia) Limited	12	25.812500
Gold Fields (Ghana) Limited	12	25.812500
Gold Fields (Ivory Coast) Limited	12	25.812500
Gold Fields (Senegal) Limited	12	25.812500
Gold Fields (Guinea) Limited	12	25.812500
Gold Fields (Liberia) Limited	12	25.812500
Gold Fields (Sierra Leone) Limited	12	25.812500
Gold Fields (Mali) Limited	12	25.812500
Gold Fields (Zambia) Limited	12	25.812500
Gold Fields (Tanzania) Limited	12	25.812500
Gold Fields (Kenya) Limited	12	25.812500
Gold Fields (Nigeria) Limited	12	25.812500
Gold Fields Group of Companies Limited	12	25.812500

By Order of the Board of Directors  
C. E. WAINMAN, London Secretary

## BEECHAM GROUP LIMITED

### Notice to holders of 5 1/2% Guaranteed Convertible Debentures and 6 1/2% Guaranteed Non-convertible Debentures of Beecham International Holdings S.A.

In accordance with the Conditions of Issue of the above-mentioned Debentures, notice is hereby given to Debenture holders that the Beecham Group Annual Report for the year ended 31st March 1979, was posted to share and loan stock holders on 2nd July 1979.

Debenture holders can obtain copies of the Annual Report on application to the offices of the Paying Agents.  
By Order of the Board of Directors  
I. M. F. BALFOUR, Secretary

## CORRECTION NOTICE

The following is an amendment to the advertisement which appeared in the Financial Times on June 20, 1979.

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Loan of US\$5,000,000 1978/81

Headquarters of this loan are hereby

informed that the rate applicable for the 6 months interest period starting June 1979 and ending December 4th, 1979, has been fixed at 10 1/2%.

# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

## Avoiding the pitfalls of modern planning

**THE ENVIRONMENT** within which companies now operate has never been broader, more complex and more rapidly changing. So planning for the future as the only way of even partially controlling their destiny has never been more necessary — nor more difficult.

The challenges are even broader than this series of articles has so far suggested. Not only must managers cope with all the uncertainties of inflation, technology and the rest, but whole industries can rapidly become outdated as their life cycles accelerate.

It is difficult enough for managers themselves to cope with this pace of change, let alone to take along with them the organisations' many other stakeholders — including shareholders, employees, or society.

The management's task is complicated further by the increasing pressure being exercised upon it by the other stakeholders, especially politicians and the bureaucracy, and all sorts of consumer groups (try and find environmentalists in a dictionary older than 10 years).

All this makes it crucially necessary for a company's planning process — indeed, the whole formulation and execution of its corporate strategy — to be carried out in as efficient a manner as possible. In particular, it underlines how rigorously the flow of data within a company must be controlled, so that it does not flood both suppliers and recipients, thereby bringing the system into disrepair and making it uneconomic and counterproductive.

This is by no means the only "must" for successful planning today. As the diagram shows, the data must be qualitative as well as quantitative. For example, assessing the likely re-

avoided) and risks to the profit and loss statement (which can be commercially justifiable).

Fourthly, its evaluation of alternatives gives management the ability to initiate more positively, and to react more rapidly, usually, the number of "surprises" is also reduced.

So much for the basic principles of planning. How should it be carried out?

No two companies can successfully operate exactly the same planning process and — as has been repeatedly emphasised in this series of articles — terminology is used in very different ways which can often be more than confusing.

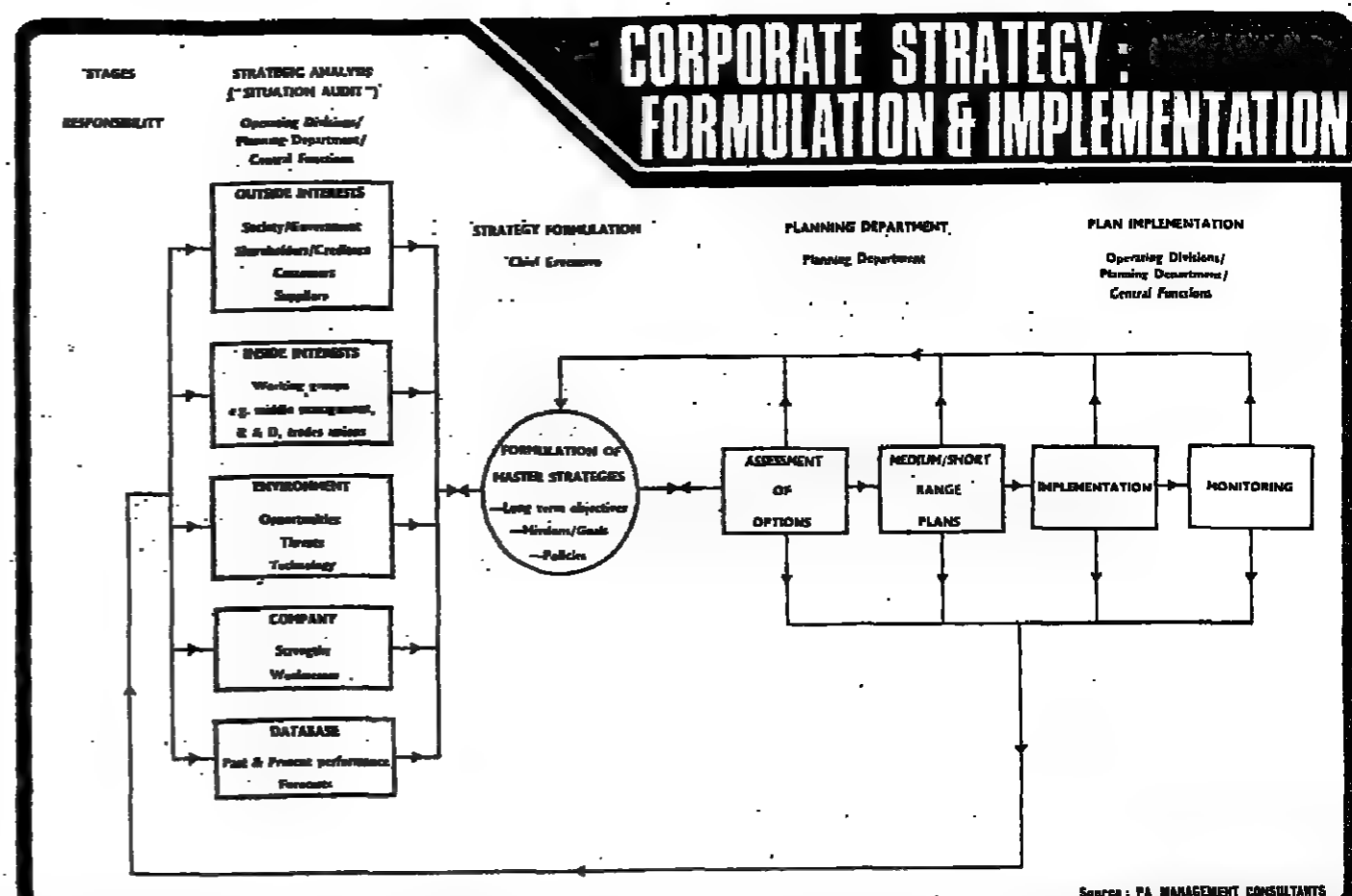
For the purpose of this article, corporate strategy is taken to embrace the overall activities of an organisation in defining its strategy and preparing and subsequently implementing its detailed plans.

### Iterative

The diagram breaks the formulation and execution of corporate strategy into four parts, though it must be stressed that the process is highly iterative, and that more than one stage may proceed in parallel.

First, what might be called the strategic analysis, or situation audit, by which a company conducts a disciplined analysis of those internal and external factors which may affect its future activities. This includes such internal questions as the company's balance of businesses with different characteristics: cash generating, cash consuming, and so on (which is where such techniques as "portfolio analysis" and "gap analysis" can be used). Frequently of greater importance is its external posture, for example the relevance of its products or the fragility of its markets.

The next phase is the formulation, or determination, of the long-term objectives that are appropriate given the informa-



- displaying visibly his commitment to planning
- providing the entrepreneurial dynamic to overcome bureaucracy
- building this "dynamic" into the planning operation by successfully motivating everyone concerned
- The Planning Department does not determine strategy, although it can be the chief executive's eyes, ears and sounding board. Its positive responsibilities are to:
  - secure rapid but economic data transmission from throughout the organisation in a way which sifts information into a digestible format for the specific receiver
  - act as a catalyst in obtaining creative input from the operating divisions or central functions
  - forge planning links across organisational divisions, for example R and D and marketing
  - evaluate alternative plans that reflect the chief executive's formulated strategy
  - monitor the selected plans

The Operating Divisions may be subsidiary companies, geographical entities or product divisions. Depending on the size of the company, in each case their roles in the planning process are similar; in a small organisation it may rest with one man reporting verbally, while a large division may prepare its own business plan.

Business plans are prepared normally by the operating divisions or other subsidiary units of the division or unit itself.

The relationship between these plans and the organisation's overall plan is crucial — partly because they usually contain a bid for additional resources and partly because this link is the essential double-check on the division's optimism and the validity of its forecasts for its own products.

The allocation of resources (money or people) is enhanced if business plans can be objectively reviewed during the preparation of the overall plan and, even more, if the relationship

between the central planning department and the divisions eliminates the extreme "bottom-up" or "top-down" planning approach — both equally damaging.

An effective relationship ensures a proper input to the corporation's overall plan — for the only parts of the organisation that can provide detailed information on customers, working groups or technology are the relevant operating divisions.

Central functions such as finance, marketing and research and development can, given sensible terms of reference, materially assist with the central planning department both by providing initial input and by monitoring plan implementation.

The importance of an easy dialogue between the central planning department and other parts of the organisation cannot be overstressed. Without it, planning invariably loses touch with the realities of the organi-

sation and becomes mechanistic and ultimately discredited. The lack of a planning process of the sort described in this article makes it:
 

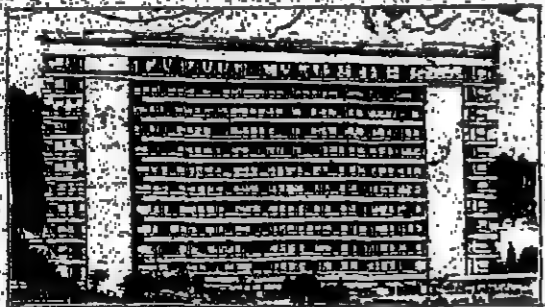
- difficult for an organisation to select the most suitable directions for its future activities;
- even more difficult to harness the energies of its management teams in the chosen directions;
- and virtually impossible to absorb change fast enough.

In our present environment an organisation without formalised corporate planning is deliberately putting its long term survival at risk.

**Derek Wynne-Jones**  
Derek Wynne-Jones is Head of the Planning and Strategy Division of PA Management Consultants.

This is the fifth article of a series on planning. The first two appeared last Wednesday, June 27, the others last Friday, June 29. The next batch of articles will deal largely with specific planning tools.

## Who says you have no business in Monte Carlo?



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### EXECUTIVE HEALTH

## Fighting the good fight against allergies

BY DR. DAVID CARRICK

WHAT IS known about allergies — that strange collection of disorders occasioned by certain foods, pollens, dusts, medicines, surface agents, some bacteria and so on — which manifest themselves in specific or amorphous ways in a minority of man?

Honest doctors and pharmacologists will frankly admit that we possess but a scintilla of comprehension; but one thing is certainly accepted, and that is that these strange maladies fall into several fairly well defined categories — conclusions arrived at by working backwards, by considering and interpreting causes from results.

Thus it is known that allergic reactions of a specific nature may be caused by inhalation by surface contact, by ingestion of natural substances or those made by man; by contact with pure substances or materials, or by man-made objects such as cosmetics; by injection of medicaments made by man; or by stinging or biting creatures. The list is practically endless.

At this particular time of year in Britain, when many grasses and trees are scattering their pollen in profusion, the particular allergy related to pollen — mistakenly known as "hay fever" — must take priority, for there are so many unfortunate sufferers, sneezing and wiping their sore eyes, having their

work grossly impeded and their leisure hours devoted to miserable moping in air-proof rooms instead of capering happily in the rain.

There are four major methods of attack, divided into preventive means and suppression of symptoms. Further subdivisions occur, but I will try to make matters as uncluttered as possible.

**Prevention**

In the first division of this campaign come the specific desensitising concoctions in which special preparations of a mixture of minute quantities of allergens that have been found to be poison to an individual, are injected. These are administered at regular intervals, in increasing proportion, over a number of weeks, four or five months before the danger season in order that the body's tolerance is increased. Preliminary sensitivity tests have been adequate and accurate, this method is very effective, though expensive and rather tedious to jabber and jabber.

Then there are the somewhat shotgun measures in which extracts of the most common allergens are employed. These can be administered later — within a month or two of Pollen-Day — and involve fewer

injections. Sometimes the results are most gratifying. Not infrequently, however, a disgruntled sufferer from "hay fever" may well consider that he has been the victim of a sadistic joke since the injections have no effect whatsoever. Both of these regimens have to be repeated annually.

**Combative Methods**

1.—Certain sprays and nose drops are sometimes very useful in coping with cases where noses give particular trouble. Some of these medicaments contain surface-acting antihistamine agents; while others, mainly based on ephedrine and variants of that drug, act by constricting superficial blood vessels and, therefore, cause a reduction in swollen mucous membranes and the excessive secretion arising therefrom. About 16 varieties are available.

2.—Oral preparations containing antihistamine drugs may be used in short-acting forms, others act over 12 hours. These preparations are usually administered in specially coated granules timed to dissolve during the various phases of digestion. At least 20 different types are obtainable on prescription.

3.—For severe attacks, and particularly those in which an allergic asthma is present or

feared, certain synthetic steroid preparations produce rapid, if temporary, relief.

For several reasons (not least being that, in January, the hay fever season seems a long way away) the "combative" methods (number two in particular) are the most widely used. But one man's successful antihistamine preparation is another man's soporific.

Pharmacologists, a happy, blinkered race, seem to think that all humans are exactly alike and will respond stereotypically to their pet product. Alas, not only do people react in very different ways to each other, the same person may differ from himself now and then. Thus, the wretched doctor has to trust in trial and error. Drug A may be very effective but causes drowsiness.

Drug B may do the opposite. Drug C may do neither but is obviously useless. One of the other drugs in this alphabet may be the perfect answer for the individual patient.

Fortunately, with so many to



work through by the time the half-way mark is reached, the patient may be symptom-free, perhaps because the troublesome pollen has passed peacefully into posterity for another year.

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## LOMBARD

## A prophet in his own land

BY JONATHAN CARR IN BONN

THERE IS something of the Old Testament prophet about Dr. Oskar Emminger, president of the Bundesbank. Just as the prophet Isaiah was called to denounce the king of Assyria for his arrogance, so Dr. Emminger has been called to denounce the government for its economic policy.

He does not actually have the Bundesbank's duty to defend the value of the D-mark inscribed on tablets of stone, but his message is clear enough to the Germans. He is warning them that the Bundesbank's tough policies are making it harder to maintain the parity of the franc within the European Monetary System.

The Americans are irritated by Dr. Emminger's public references to their past policies and current plight as examples of what other nations should, at all costs, seek to avoid.

Things are no easier at home. In Bonn, government officials fear that Dr. Emminger's public, dramatic warnings against growth of money supply, inflation and a wages-price spiral may undermine business and consumer confidence. The commercial banks, too, have felt the lash of Dr. Emminger's tongue. They have extended more credit (in the central bank view) than they ought to have done, they have strayed from the path revealed to them by the Bundesbank's money supply growth target. Indeed, so powerful were Dr. Emminger's exhortations to monetary belt-tightening at a recent pre-banquet speech, that several bankers present almost seemed to lose their appetite.

## Modest figure

Many non-Germans will find this concern excessive. After all, the West German inflation rate is still well below 4 per cent—a modest figure indeed by almost any international comparison. Might it not be better for Dr. Emminger to pipe down? After all, some may unworthily point out, he is coming to the end of his term as Bundesbank President and, no doubt, might like to stay on for a while longer. Surely he does not want to encourage his own replacement by one of those very commercial bankers whose credit

policies he so roundly condemns?

Those inclined to argue in these ways should be prepared to answer a few simple questions. The first is—what would have happened to the European Economic Community after the oil price increases of 1973-74 had not West Germany, at first virtually alone, held fast to an internal stability policy which first broke the rise in domestic inflation, then dragged it down? Would the recognition that inflation is a main cause of unemployment have gained such broad international acceptance? Would it be seen more as a threat to internal price stability than as a boost to export competitiveness? Would France have adopted the tough stability measures of the Barre plan without the example of West Germany—a rival and friend alike? And if it had not done so, what prospect at all would there have been of a Franco-German initiative for an EMS?

## Moderate

Secondly, leaving aside for a moment the international point, what would be the impact on West Germany domestically of a constantly increasing inflation rate? It would be highly dangerous to assume that West German society would react in the kind of shock-absorbent way which British society has done (although some may well argue that double-figure inflation has already partly damaged that tolerance and common-sense which the British are generally held to possess). Make no mistake. If West German inflation even approached the levels existing in several neighbouring countries, then the kind of moderate government in Bonn to which Germans and the world have grown used could not be guaranteed.

That is not intended to be a horror picture. Bonn is not Weimar. There are several good reasons why Bonn will not become Weimar. One of them is the commitment to a large measure of price stability and a strong currency by an independent central bank which, as it happens, is not in Bonn at all. That is why Dr. Emminger is right not to try to win friends but rather to influence people. There is too much at stake to permit another course.

WHEN in terms of white wines one casts a metaphorical eye over the central Loire Valley—from Blois to Angers—one is inclined to think of somewhat soft, sweet wines: Coteaux du Layon, Quarts de Chaume, Anjou roses, etc. This is not quite correct, for both Touraine and Anjou produce dry whites, albeit not of great characters save for Savennières near Angers. Yet undoubtedly the most distinguished and distinctive dry white Loire lies at either end of the valley: Pouilly Blanc Fumé and Sancerre upstream beyond Orleans and Gien, Muscadet near Nantes. To be accurate, there is another dry white produced even further up the river, at St. Pourçain on the Sologne tributary and not far from the Massif Central in which France's longest river is born. Most is made there by the local co-operative, and is better known for its rose and red, but all are VDQS wines. On the few occasions that I have drunk them I have found them agreeable but, shall we say, uneventful. The AC white Loire begins at Pouilly and Sancerre.

## Popularity

In the last 25 years both these wines have achieved a remarkable increase in popularity and in quantity. In the early 1950s the average output of Pouilly Blanc Fumé was no more than 3,500 hl, although

there was rather more of the less good Pouilly-sur-Loire; and Sancerre averaged about 10,000 hl. In the three communes making both types of Pouilly the area under vines was only 400 ha, while Sancerre's 13 villages entitled to the appellation contrôlée had a similar area devoted to white wines and a further 40 ha devoted to the Pinot Noir, producing mostly rosé but also a little red. Today there are 500 ha devoted to the Blanc Fumé, and the vineyard is growing annually by about 30 ha; the output in a good year is over 20,000 hl. The more easily expanded Sancerre now covers 1,200 ha, rising by up to 50 or 60 a year, and averaging nearly 40,000 hl of white and another 8,000 hl of red and rosé. It will reach its limit in the existing designated area when another 200 ha are planted.

## Really dry

Both wines are really dry, with that sharp, attractive "cut" that the Sauvignon grape, from which each alone is made, gives everywhere. The plain Pouilly is made from the Chasselas grape, perhaps with a little Sauvignon added, but it is much drier, heavier wine and in general is being slowly superseded by the superior Pinot. The Blanc Fumé—the local name of the Sauvignon grape—is a flinty, elegant wine,

while Sancerre, generally grown on much higher, steeper ground, is fuller and fruitier. That is in good years. In others, such as 1977, both have a greenness and "strike" that seems to penetrate almost to the stomach.

## WINE

BY EDMUND PENNING-ROWSELL

For years the best known Pouilly Fumé in Britain was Chateau du Nozet, whose wines at one time came solely from its 14-ha vineyard, but although this is now 45 ha its popularity has grown so much, particularly abroad, that 40 per cent of its requirements are bought in must, and the wine is sold under the proprietor's name, Ladocette, at 12s. However, Pouilly, such as Chateau de Tracy.

Sancerre, based on the charming little hill town perched high above the river valley, has achieved an even greater success. In addition to its white wine, it has a rosé accounting for 15 per cent of total production, though this is somewhat yielding to a red, now representing 5 per cent. These are made from the Pinot Noir grape of Burgundy, and in a good year

the red in particular can be very attractive.

Unfortunately the growing damage for this pair of dry whites that began in Paris bars, has led to markedly higher prices. In the capital there is always a fashion for a not-too-

expensive dry white wine, and when Pouilly Fumé and Chablis became too dear, there came the turn of these two upper Loire wines; but these two have now moved up to become restaurant wines. Owing to disastrous hail in July, last year's crop of Pouilly Blanc Fumé was only 14,400 hectolitres and the white Sancerre total of 43,000 hectolitres in the expanded vineyard area.

The excellent 1978s are unlikely to cost in Britain less than £3.50-£3.75 a bottle. The wine with a claim to have taken over the bar trade is Muscadet. This is produced on a much larger scale—over 500,000 hectolitres in a good year, though 1977 produced little more than a one-third crop of 197,000 hectolitres that caused prices to shoot up to heights from which they may or may not descend; unlikely, as the 1978

crop totalled only 262,000 hectolitres.

The local grape was originally known as the Melon de Bourgogne, but is now called the Muscadet, and alone is valid for the wine. It produces a very dry wine eminently suitable to accompany the fish particularly associated with Brittany and the Atlantic coast. It can be rather thin and acid, and to counteract this a growing proportion is bottled as the wine being racked off its lees when the fermentation is complete, it remains on the lees, bottling which normally begins from mid-February onwards, though there is now a Muscadet Novgveau that may be bottled before Christmas. The sur le wine has more body and fruitiness and, to ensure its authenticity, since 1977 it must be bottled in the area of production.

## Best area

There are three different appellations contrôlées: Muscadet de Sèvre et Maine, Muscadet de la Loire and plain Muscadet. The first accounts for 50 per cent of output and is generally considered the best area, with the other two areas responsible for 10 per cent apiece. The Sèvre et Maine area lies to the east and south-east of Nantes, the Cote de la Loire is produced on both sides of the river to the city's east and north-east, and plain Muscadet

most likely derives from the south of the district.

## Higher yields

The other white wine in the Nantes area is the Gros Plant, made from the Folle Blanche grape which used to be prolific in south-west France, especially in the Cognac region, but is now much diminished, and today its total production in the Loire district is less than 20 per cent of that of Muscadet. A VDQS wine since 1954, it is more frost-resistant than Muscadet, produces a higher yield, and is more robust though with less finesse, rather a clumsy wine through perfectly acceptable for summer drinking, for which all these dry Loire whites are particularly suited. The Nantes recommend a temperature of 3.5°C (47°F) for their wines, but that seems to me too cold, numbing the wine, and I would prefer 10°C (50°F), and personally I find, both Pouilly Fumé and Sancerre delicious. In summer, at least, at the Loire, cellar temperature of 13°C (55°F).

## Eve 'horse for the course'

THE SEASON of seaside holiday racing gets under way this afternoon with meetings at Yarmouth and Folkestone. Those who subscribe to the "horses for courses" theory will look no farther than Eve for the C. J. Palmer Handicap (3.45) at Yarmouth. This mare has won seven times over the track, four times over today's distance.

## RACING

BY DARE WIGAN

She opened her account for the season at the last meeting on June 13 and it will probably be a mistake to oppose her. Although Francesca's two victories have been achieved against moderate opposition at Caterick, the probability is that this colt is a useful stayer in the making. I think that he will prove capable of conced-

ing 8 lb successfully to Hill's Forecast in the Ormesby Handicap. Another animal who has disappointed Stoute is Union Springs, a beaten favourite in all his three races so far this season. But Stoute is adept at finding opportunities for the lesser members of his powerful stable and it looks as though he has found one for Union Springs in the Smeth Maiden Stakes at Folkestone.

Oui Monsieur, whose successful sequence was brought to a halt by Buarialino and Shaah at Crayke on the Saturday immediately following the royal meeting, is another with a penchant for seaside courses and the Ascot form was given a fillip by the bold display of Buarialino in the Coral Northumberland Handicap at Newcastle on Saturday. Oui Monsieur can recapture winning form in the Margate Handicap, though Noble Fris is an obvious danger. Miss Francis Vittadini, per-

haps the most accomplished of our women jockeys, partners her gelding, Rose Track, in the Q.H. Underider Stakes at Warwick this evening and the chances are that they will land the prize.

Junella, with Carson in the saddle, is the probable winner of the Mercantile Credit Handicap and Ben Elid, who shaped with promise when third to Castle Green and Stuart King at Leicester last month, looks sure to go well in the Bluecol Maiden Stakes.

**YARMOUTH**  
3.15—Francesca\*  
3.45—Eve  
**FOLKESTONE**  
2.00—Union Springs\*\*\*  
3.00—Oui Monsieur  
**WARWICK**  
7.35—Junella  
7.55—Rose Track\*\*  
8.20—Ben Elid

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## FINANCIAL TIMES

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Tuesday July 3 1979

## The sterling dilemma

TWO EVENTS yesterday underline the growing urgency of the new sterling problem—the excessive strength of the currency. The monthly report on the economic situation published by the Confederation of British Industry showed a sharp increase in worries about future competitiveness; in spite of buoyant order books for home and export delivery at the moment, industrialists are now fearing the kind of obnoxious recession foreseen by the Treasury and many independent forecasters. At the same time the rise in sterling accelerated again, to bring its rise since the Budget to 4 per cent.

## Temporary

The basic causes of this performance are three. At bottom, the rising comparative advantage of possessing North Sea oil would make sterling strong under any likely circumstances. Within limits this result, which results in improved terms of trade and lower inflation, is part of our good fortune, though industries exposed to especially severe competition may find it hard to see it in this way. In addition, the need—it is to be hoped that it is a strictly temporary need—for high nominal interest rates greatly increases the attraction of sterling for foreign investors.

However, in one respect the damage to British competitiveness is a purely self-inflicted wound. We have listed two factors attracting foreign capital inflows—which may be temporary. These could be balanced, in part at least, by outflows of British capital, leaving the exchange rate stable.

## Cautious

In fact, of course, such inflows are still strongly inhibited by exchange controls left over from the days of sterling's post-war weakness. It is said and suspected that a government sincerely believing in market forces should be moving so cautiously in dismantling these unwelcome defences. It is now becoming clear that the delay could also do severe and lasting damage to the British productive economy. The history of all the major fluctuations since 1971 suggests that market forces tend to produce excessive initial adjustments before an equilibrium is found; policy should be aimed to damp down the fluctuations now taking place, not to amplify it.

## A challenge for the Post Office

JUST AS the Post Office was revealing yesterday that the millions of unsolicited letters that have accumulated over the last month of postal disruption are at last being cleared, Sir Keith Joseph was announcing in Parliament an urgent investigation into the possibility of abolishing the postal monopoly. Although opposition MPs expected Sir Keith's announcement to enrage postal workers, he was right to mount his investigation then if the current difficulties are new resolution. Sir Keith is unlikely to come up with any real alternative to a postal service run broadly as a monopoly by the public sector. But his investigation will be valuable if it brings into the open some of the problems of the postal service, its management, its financial position and its future. The Post Office has been in a state of financial crisis for years, and its performance has been poor.

## Poor service

An analysis of the causes of the postal service's poor performance may help the unions and management, with the minimum of government interference, to achieve a solution. That productivity needs to be improved is admitted by all sides—even by the UPW's leaders. After all, their own members are the main victims, through low wages, excessive hours and a six-day week of the Post Office's inefficient work practices. But productivity can be increased either by cutting manpower and maintaining existing services or by improving services with existing manpower. Could the Post Office management secure its workers' backing if it committed itself to the latter course?

In January this year the UPW's leadership agreed to a number of important productivity proposals, which could have laid the foundation for a revival of the postal service. The agreement covered, to a limited extent, such issues as the employment of part-time staff during the summer, the gradual introduction of work measurement and the occasional diversion of mail between sorting offices to prevent the logjams which cause many of the service's frequent delays, and

The main controls affect three potential flows: the flow of currency to finance direct investment abroad by UK companies; the financing of foreign trade by UK financial institutions; and portfolio investment.

Since the Budget only direct investments up to £5m are fully liberalised. It is absurd in present circumstances that any British company which may wish to use its UK cash balances to finance foreign activities should be forced to borrow money abroad for the purpose. Though companies may well decide to do so for prudential reasons, it is absurd also that only merchants have been allowed to resume the trade-financing activities which had to be suspended during the sterling emergency of 1976. It is apparently feared in Whitehall that these flows may be "unstable."

## Lesser risk

The mere fact that sterling's movement is consistently upwards does not mean that an appreciation of over 10 per cent is anything other than a desirable and stabilising. Slightly bigger risks might be involved in abolishing portfolio controls; but they still appear smaller than the risks involved in not doing so. The Government professes the right principles; it should act on them.

It must be admitted that there is no guarantee that in present circumstances even a full liberalisation of capital movements would take the pressure off sterling; but at least it could reflect market forces rather than an administrative contrivance. Only then could it be judged rationally if the very doubtful case for opposing market forces by currency intervention should be re-examined.

Experience suggests that intervention matched by extra funding—as is necessary to preserve monetary control—has little effect on exchange rates; but intervention in the forward markets might be more effective. In the longer run, reduced public sector demand for credit, through spending cuts and higher North Sea revenues, should ease market conditions and the demand for foreign capital. But the one quick measure to relieve immediate pressures and so reduce the damage to UK trade is the one the Chancellor has so far hesitated to take: dismantle exchange controls, now.

## Eastern bloc energy under pressure

A KEY factor in the world energy equation was conspicuous by its absence at both last week's energy summits in Geneva and Tokyo.

That factor was the Soviet Union—the world's largest producer of oil and coal and fast catching up with the United States in the production of natural gas.

But Comecon also faces an energy squeeze in the 1980s and Comecon's own energy summit in Moscow last week drew roughly the same conclusions as the West about the need to push ahead at full speed with an accelerated nuclear energy programme and an oil and gas conservation programme.

Annual Soviet oil output is currently in excess of 11m barrels daily, against 8m for Saudi Arabia. Some 3m barrels of this is exported, split roughly 55/45 between Comecon and western or hard currency markets. This year the Soviet energy industry is scheduled to produce 593m tons of oil, 404m cubic metres of gas and over 750m tons of coal—plus hydro- and nuclear-generated electricity.

In spite of this vast output, however, the Soviet Union will not be able to satisfy its own growing energy needs. West of the Ural mountains, partners in the 1980s and still maintain a margin for export to the hard currency areas which is vital if it is to earn the foreign exchange required to import the sophisticated oil and gas equipment it needs from the West.

Taken together, the prospect of a) increasing East European demand for OPEC oil, b) Soviet demand for western oil and gas equipment and c) East-West co-operation in the development of Soviet energy resources, seems certain to ensure that in future the Soviet factor will impinge with ever-increasing weight in global energy discussions.

## Note of urgency

As far as Western Europe in particular is concerned, the potential for East-West co-operation in energy matters looks like injecting a new note of urgency into the hitherto desultory negotiations for closer co-operation between Comecon and the Common Market. Significantly, last week's Comecon energy summit closed with the request for an urgent meeting with the Common Market authorities to try to speed up the pace of negotiations.

Although the Soviet Union is not a member of OPEC it has consistently supported OPEC demands for higher energy prices and has indeed been a major beneficiary of them. But neither the Soviet Union nor its Comecon partners have come unscathed through the Iranian troubles which contributed to the current OPEC price rise. Closure of the IGAT I gas pipeline between Iran and the Soviet Transcaucasian republics caused Georgia, Azerbaijan and other southern republics to freeze last winter. Possible Iranian abandonment of the complex gas supply operation under which Iranian gas was piped to the Soviet Union through the proposed IGAT II pipeline, while Soviet gas was piped to Western Europe, is another major headache. Cutbacks in Iranian oil shipments have also badly hit the oil import plans of Romania, Czechoslovakia and other Comecon countries, which

## The looming Soviet factor in the world oil equation

BY ANTHONY ROBINSON, EAST EUROPE CORRESPONDENT

are being forced to diversify their oil import sources as a result of Soviet reluctance to increase Soviet oil sales to them in the 1980s.

The Soviet Union currently exports around 80m tons annually to its Comecon partners but has made clear that in future only gas and electricity supplies will be guaranteed to rise in quantity. The Soviets clearly want to retain their capacity to export oil and gas to hard currency markets. Last year these exports fell by an estimated 18 per cent.

But oil and gas exports account for nearly 50 per cent of total Soviet hard currency export receipts. Last year hard currency oil exports alone were worth 3,570m roubles, around \$5.5bn. Soviet sales on the spot market and higher gas and oil export prices could push the figure up substantially this year—provided it has the oil to export. But output in the first five months of this year was between 5m and 7m tons below target while deliveries to Comecon were higher.

Over the last decade the annual rate of increase in oil production has been halved from 8 per cent to around 4 per cent. This reflects the fact that production from the relatively shallow and accessible oil fields in the Caspian and Urals-Volga regions has been steadily declining while the bulk of new production and reserves are in the inhospitable Siberian wastes or the deserts of Kazakhstan. These are thousands of miles from the industrialised west of the Soviet Union and its main export outlets.

According to Soviet estimates, 45 per cent of world gas reserves, 57 per cent of world coal reserves and probably a third if not more of world oil reserves belong to the Soviet Union, but 80 per cent of these resources are locked away in the eastern or northern part of this vast country while 80 per cent of energy demand comes from the relatively urbanised and industrialised western regions. The logistical problems alone are enormous.

Furthermore, as the geographical axis of the Soviet oil and gas industry has shifted eastward, so the need for more sophisticated exploration, drilling and production methods has increased. There was little need to develop sophisticated methods and equipment up to the end of the 1960s, as the bulk of Soviet oil had been coming from relatively shallow wells in accessible parts of the country. Tackling the problems of depth, distance, extreme cold in winter and boggy tundra in summer has taken the industry into a new dimension. Indeed,

a high proportion of the hard currency earned by oil and gas sales has had to be ploughed back into the import of a vast range of oil and gas-related plant and equipment.

Recent western studies estimate that the Soviet market for offshore equipment alone is likely to reach some \$24bn over the next decade. This reflects the fact that future exploration and development is likely to concentrate on drilling at greater depths in areas like the Caspian and other older production areas and development of both on- and off-shore deposits in north and north east Siberia, the Barents Sea and off Sakhalin Island.

Similar problems face development of the coal industry. The Soviet Union's main hopes for boosting coal output to around 1bn tons annually by the 1990s depends on the development of the virtually limitless open-cast deposits of Kansk-Achinsk in central Siberia and Ekibastuz in Kazakhstan. Transporting coal by rail to the industrialised West would consume almost as much energy as contained in the wagons.

Instead, five huge 4,000 mw power stations will be built on the site of the open-cast mines at Ekibastuz and the bulk of the 20,000 mw which will be generated there by the turn of the century will be transported 2,500 kilometres by a special 1,500 kv line—provided extensive research into high voltage line makes this a feasible proposition. A similar power line is planned for Kansk-Achinsk, where coal-based power stations generating no less than 100,000 mw will make it the Soviet Union's main electricity generating centre in the next century. Already half of Soviet coal output is used to generate electricity and this will rise to 75 per cent when the two schemes are completed.

## Limiting oil and gas

The emphasis on coal, hydro and nuclear sources for electricity generation is one of the principal lines of Soviet energy strategy. The aim is to limit oil and gas usage to transport, industrial processing and as a chemical industry feedstock. It is a strategy which extends to Comecon as a whole. In the course of the current five-year plan, which ends next year, the Soviet Union originally committed itself to supplying some 360m tons of oil to its East European allies. It now looks like supplying around 380m tons, although most of the above

quota oil is being delivered against payment in hard currency or the equivalent in export quality food or industrial goods.

The higher international oil prices which have benefited the balance of payments of the Soviet Union itself have led to serious problems for Eastern Europe. Since 1975 the Soviet Union has been charging its East European partners at a rate based on the average international price of oil over the preceding five years.

According to the Soviet Union, such prices up to now have been on average some 25 per cent below world market prices. Much of this apparent advantage has, however, been whittled away by Soviet insistence that East European countries help finance and build major energy projects such as the Orenburg gas pipeline. This 2,750-kilometre-long pipeline from the foot of the Urals has been completed ahead of schedule and is now reportedly capable of transporting 45bn cubic metres annually of which 15.5bn cm is supplied to the East European countries which benefit in its construction.

Recent Soviet hydro-carbon discoveries have turned up far larger quantities of gas than oil. This has obliged the Soviets to take a tough line with their Comecon partners on future oil deliveries, only partially sweetened by the willingness to supply more gas and electricity. These deliveries will make up the bulk of the 20 per cent total increase in Soviet energy exports to Comecon over the next five year plan. But plans to create 150m kW of extra generating capacity by 1990, largely through expansion of nuclear power, will still leave Soviet short of energy and increasingly reliant on OPEC oil in the intervening period. The nuclear plan will also squeeze the East European economies, as they will have to supply much of the plant and equipment, using highly energy intensive processes, before the power stations can actually be built and come on stream.

Nuclear power station design and fuel enrichment remains firmly in the hands of the Soviet Union but all countries are being encouraged to specialise in manufacturing components. In Czechoslovakia and East Germany are playing a major role in this. The Soviet Union also plans to construct a series of nuclear power stations near its western border and will export electricity through the Comecon power grid, which is also being extended and modernised. At the same time, Comecon

countries are stepping up development of their own extensive coal, lignite and other energy sources and swinging increases in petrol and other oil prices are the precursors of a more fundamental revision of the energy price structure aimed at increasing fuel efficiency and conservation.

Significantly, the energy crisis—which struck home with a vengeance this year when a harsh winter underlined the precariousness of energy supplies and led to widespread power cuts—is a major factor behind the replacement of traditional Marxist economic theories and a new-found faith in the price mechanism.

## Problem of subsidies

Hitherto subsidised domestic light and heating, and slow adjustment to the realities of international energy price levels, have slowed down efforts to use energy more efficiently. Growing vehicle ownership and relatively rapid economic growth have also kept energy demand rising by between 4 and 8 per cent annually. In some ways the Communist bloc has been an efficient user of energy—the widespread use of power station heating and greenhouses and the emphasis on public rather than private transport are two examples. But little attention has been paid to insulation and the scope for conservation is very large, as in the West. The rate of economic growth throughout Comecon has also slowed markedly over the last two years in particular and could well decelerate further over the next five years, during which time improving the energy supply and a concentration on improving quality and efficiency, rather than growth per se, will be the hallmark of the various national plans.

Meanwhile, it is becoming increasingly clear that exploiting the full potential of Soviet oil, gas, coal and other raw materials is beyond the resources of the Soviet Union and its Comecon allies alone. Hence the Soviet interest in trying to involve Western—especially Japanese—firms in joint ventures stretching well into the 21st century and involving vast amounts of Western finance and technology in return for assured energy and raw material supplies on a similar long-term basis. The Soviets firmly believe that, as the energy crisis deepens and energy prices con-

tinues their inexorable rise, the attractiveness of such schemes is bound to increase. Against this argument, however, higher energy prices will also make the development of hitherto uneconomic Western energy projects more viable.

But West Germany's reported interest in importing Soviet nuclear-generated electricity in exchange for participation in the Soviet nuclear programme is an interesting indicator of what is likely to be the growing West European interest in energy co-operation. Clearly, political as well as economic factors will play a major part in the willingness of western firms to participate in such long-term projects. Japan, with its geographical proximity, paucity of energy and raw materials and technological prowess is in many ways the most logical partner for joint ventures in Siberia.

But the signature last year of the Sino-Japanese Peace Treaty, Soviet refusal to give back the Kuriles Islands and the new economic opportunities emerging in China itself have placed a question mark over future co-operation. The latest round of the energy crisis could well lead to a reappraisal. Japan recently agreed further financial aid for oil exploration off Sakhalin Island. But joint U.S.-Soviet-Japanese development of the vast South Yakutia gas deposits is still bogged down in complex negotiations even though deposits of 1,000bn cubic metres required for the deal to go through have now been proven.

This 34bn, 25-year project is typical of the kind of deal the Soviet Union wants to get off the ground in the next decade. The potential scope for future East-West co-operation in energy matters is clearly enormous, but at the same time, the American administration, for its part, has now come round to the view that the development of Soviet energy resources is vital if the world energy shortage is to be kept within reasonable limits. This marks a reversal of original attempts to put pressure on the Soviet Union to modify its stance on dissidents and other contentious foreign policy issues by withholding export permits for energy-related exports, including an entire \$144m drill plant.

A major influence behind this decision was the pessimistic CIA report published two years ago which saw the Soviet Union and its allies becoming a net importer of oil by the mid-1980s. If that happens it could make the present scramble for oil look tame by comparison.

## MEN AND MATTERS

## Lobbing a chip into the office

The axe over the heads of the Quangos is rumoured to be swinging near the ears of the Location of Offices Bureau. This month the LOB will bring out its report, announcing that it spent £370,000 last year. It will also give details of a project going to the very heart of LOB's role in encouraging firms to move (out of cities, or in, again, according to the current thinking). Diana Morris, an economist who is the Bureau's senior research officer, is launched on a study of how micro-electronics will affect the need for office space in the next decade.

This is a topic for which most people involved with "chips" shy hurriedly away. Optimists point out that in places like Houston, where the silicon revolution began, more offices are being built than ever before. Pessimists claim that many of the office towers put up since the 1950s will one day be empty, echoing monuments. I gather that the LOB's investigation will not be complete until next year, by which time a desirable sea of offices in Chancery Lane may have come on to the market—its own.

## Showing off

There are parties and there are art world parties. Most galleries hope to sell a high percentage of pictures offered at special preview exhibitions, so there is a tradition of leaving the cheque books with drink. In the Mayfair galleries the spread can reach epicurean proportions, but few compare with those of Roy Miles of St James', a 40-year-old ex-Liverpool hairdresser.

To launch his summer exhibition of Victorian paintings there was caviar and champagne, vodka and smoked salmon, huge carved carvings of Victoria and Albert—and like the cherry on the cake, the Minister for the



"Harry... think of a number."

Arts, on hand to ensure that the finest paintings, a quartet of the Seasons by Burne-Jones, should not leave the country. He was lucky. As yet—annoying national gallery is putting up the £250,000 that Miles asked for them.

Roy Miles is a great believer in publicity and tried to cash in on the oil boom by taking the British sporting pictures around the Middle East. The Islamic world is not too keen on images, but there were a few buyers in Kuwait, and Miles got "A" for Enterprise.

He sees his current show as the epitome of his career. Over £1m worth of paintings—paid for by himself and friends after unhappy experiences with banks—have been garnered from all over the world and already there is £500,000 in revenue to enable him to relax a little.

He sees himself as something of a patriot, concentrating on British paintings, but not a collector himself. "I like to get away from business in my house, and besides it is so often let to friends," he says. His survival in the cut-throat world

of fine art, and his independence of the banks, has earned him some respect from the old hands. He is also unusual in buying most of his stock from private sources. "It is so easy to get carried away at auctions," he says.

## Pets on the menu

By now perhaps a little dogared, there is somewhere in the desk of Peter Walker, the new Secretary for Agriculture, a letter addressed to his predecessor John Silkin in the subject of rabbits. It emanates from Cheltenham, home of Peter Horne, general secretary of the Commercial Rabbit Association, who is much exercised about the vast quantities of Chinese rabbit meat coming on to the British market, undercutting the true blue product.

The CRA says the difference in price is 16p a pound—the Chinese selling at cost price in order to collect much-needed foreign currency—and that hard-pressed British breeders are being forced to sell their "far superior" wares abroad. (The British get through 9,000 tons of Chinese rabbit a year, and well under 2,000 tons of their own.)

"We'll be taking it up with the new lot," says Horne, but he sounded a little despondent about persuading the British housewife to see rabbits of any nationality in more carnivorous light. The myxomatosis outbreak of five years ago put many potential rabbit eaters permanently off the idea, even though it affected only the wild variety.

"Waterbury Down has had an even worse effect," Horne added gloomily.

## Emotion at Euston

This morning there will be an emotional ceremony in a dilapidated house near Euston Station. The liberator, Francisco de Miranda, will be returning to London in honour. Ambassadors



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## First things first

A colleague asked his small son how he was getting on at school. "Pretty good," he learned how to write today. "That's very good," his father said. "And what did you write?" "I don't know," came the reply. "I can't read."

Observer

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## FINANCIAL TIMES SURVEY

Tuesday July 3 1979

## ACCOUNTANCY

The difficulties of finding agreement on setting accounting standards have again become controversial in the past year since the publication of the Watts Report, a consultative document. Meanwhile, the accounting bodies and large accounting firms believe that there is not much point in setting standards if there is no mechanism to enforce them.

## Industry lobby groups emerge

By Michael Lafferty

A LARGE part of the past year in British accounting has been taken up with discussions about the Watts Report, a consultative document titled "Setting Accounting Standards" which considers whether present standard-setting procedures might be improved. The document itself was published almost a decade after the accounting bodies took upon themselves the task of "narrowing the areas of difference and variety in accounting practice" through the publication of accounting standards.

Over the years, however, controversy about individual standards and proposals, and increased willingness among large quoted companies to know their own mind, have convinced senior accountants that improvements are necessary. One of the more striking examples of this is a letter expressing considerable concern about existing standard-setting procedures which Mr. David Rae Smith, senior partner of Deloitte, Haskins and Sells, sent to Sir William Shapings, immediate past chairman of the Accounting

Standards Committee, prior to his retirement.

Under the present system accounting standards emerge from the Accounting Standards Committee (ASC), a body composed entirely of representatives of the main accounting bodies. ASC is controlled by the English Institute, which accounts for 12 of the 23 members. In terms of interest the committee is dominated by auditors and accountants in industry—each with 10 representatives. In addition, there is one accounting representative and only one representative of users of accounts.

Up to now, and probably for the foreseeable future, ASC has tackled subjects on an ad hoc and pragmatic basis, depending on whatever seems to be most important at the time. There is no fundamental accounting conceptual framework guiding standard-setting, beyond the general historic cost convention which is the basis of accounting in virtually all countries of the world.

It was probably inevitable that the standard-setting exercise would run into trouble. Indeed, it seems somewhat remarkable that the accounting bodies were able nine years ago to step into an area which had hitherto functioned without rules in order to lay down the law. It could be said, however, that there was little to object to in the first few years, since proposals and standards seemed either eminently sensible or favourable in their effect on reported profits. In addition, the government of the time had made it quite clear, in the aftermath of affairs such as Pergamon Press and GEC/ABC, that

it wanted the profession to put its house in order.

Serious controversy and opposition from industry to a standard first emerged with the draft standard on research and development. ASC had wanted to require all such expenditure to be written off as it was incurred, but in the end had to settle for a standard that said capitalisation of certain development expenditure was permissible under what were said to be restrictive circumstances.

## Results

The next confrontation with industry came when ASC's standard on tax accounting started to produce unacceptable results in company accounts. The standard, entirely in line with the historic cost convention, said that companies should make full provision for tax liabilities, regardless of whether the tax liability was deferred by government incentives such as stock appreciation relief and 100 per cent capital allowances. This soon meant, however, that companies were building up vast deferred tax balances in their accounts—amounts which, it seemed, might never have to be paid to the Revenue. Industry wanted a tax standard that was more realistic—and it got it when ASC took the unprecedented step of suspending its previous ruling on the area.

Further confrontation between ASC and industry groups erupted a year or so ago when property companies realised that the standard, SSAB 12, dealing with depreciation of fixed assets, might wipe out reported profit figures. While ASC was entirely in line with historic cost accounting in drafting this standard, it is also arguable

that the convention is not appropriate for companies whose activities have more to do with valuations than costs.

The property company affair was one of the most humiliating for the standards committee, since it resulted in the English Institute of Chartered Accountants refusing to endorse the standard. ASC had no option but to exempt the property industry for a face-saving 12 months. This has now become all but a permanent exemption.

One of the features of all these battles was the increasing emergence of industry lobby groups whose objectives were to ensure that accounting standards and proposals were not too objectionable as far as companies, the preparers of accounts, were concerned. One such organisation is the Midlands Industry Finance Directors Group, whose chairman is Mr. Paddy Custis, finance director of GKN. Mr. Custis, incidentally, recently refused a guaranteed seat on ASC because he believed he would face a conflict of interest.

Other industry pressure groups include the Scottish Finance Directors Group, the Nationalised Industries' Finance Directors Group, and the Hundred Group, a London-based body which claims to include chief financial officers (all of whom must be chartered accountants) from the largest businesses in the country.

The Watts Committee's work has to be seen in the light of all these developments. The report concluded that there was a need for accounting standards, made a number of uncontroversial recommendations and suggested the possibility of the Stock Exchange, or the Council

for the Securities Industry, the new City self-regulatory body, taking a more active role in enforcing standards should be explored. This latter tentative proposal has since developed into an unusual public controversy with top accounting firms criticising the Stock Exchange for its shortcomings and Exchange officials being none too complimentary to the accounting firms.

## Weakness

The accounting bodies and the large accounting firms appear to have come to the view that the whole standard-setting exercise suffers from a major weakness so long as there exists no mechanism for enforcing standards on companies. Until now quoted companies have simply been persuaded to apply standards because most finance directors, like auditors, are qualified (generally chartered) accountants. Failure to observe standards would normally lead to a qualified audit report, and there was always thought to be the possibility that the powers that be in the profession might bring pressure to bear. There was also a statement in the Stock Exchange Listing Agreement that companies were expected to observe standards.

That was all very well so long as it appeared to work. Over the years, however, and particularly recently, it has become clear that the company which ignores accounting standards or otherwise flouts generally accepted practice usually gets away with little more than a bit of adverse publicity. In the U.S. qualified accounts will not be accepted for registration with the Securities and

Exchange Commission, with the result that the U.S. auditor is in a strong position in his dealings with his client. In the UK, on the other hand, auditors who have qualified more and more company accounts have had to face a backlash for supposedly indulging in "technical" audit qualifications. When they do qualify today the consequences are far from dramatic.

It is in this context that the big auditing firms have turned their attention to the Stock Exchange. They argue that the Exchange's listing agreement, which all companies are supposed to follow, requires compliance with standards (actually, the agreement states that companies, while the main users of accounts, are in any case those who hold shares and trade in the stock market). It would also appear to be in the interest of investors that all companies should observe the same language in their financial statements.

The Stock Exchange for its part has not been slow to emphasise its central role in the self-regulation of the City. But it draws the line at getting involved in the enforcement of accounting standards.

Commenting on the Watts report, the Exchange had this to say: "It is our belief that standards should be received, accepted and implemented by all those involved in the preparation of financial statements. Once it is recognised that each standard, has been drawn from accepted accounting principles, and once it is recognised that standards express what is generally held to be best accounting practice, we believe they will recommend themselves."

The Exchange's attitude may

need to be seen in the light of the numerous professional attacks on its alleged failures. After all, the job of enforcing accounting standards would be unlikely to enhance the attractions of the stock market.

Perhaps the enforcement solution that will eventually emerge will be based on the proposal of the English Institute of Chartered Accountants that the CSI or the Stock Exchange, together with the accounting bodies, should establish a review panel to inquire into cases of non-compliance with standards. The Stock Exchange recently announced that it is giving consideration to this suggestion, while the Council for the Securities Industry is also thinking about it.

## Bolster

But many users of financial statements argue that something much more fundamental than the bolstering of the present set-up through the introduction of some enforcement mechanism is necessary. The most forthright and best argued comments have probably come from the National Economic Development Office, the executive arm of NEDC, the national economic planning forum. NEDC claims that the present standard-setting system has tended to produce standards which are as much, if not more, for the protection of the auditor as for the improvement in the comparability and accurate disclosure of intelligible accounts.

In simplest terms the office would like "to see the present bias in favour of preparer and auditor shifted towards the user of accounts—interpreted in the widest sense as including, for

example, employees of the company." NEDC also dismissed claims in favour of flexibility from some auditors by stating its belief that "companies have enough in common for common accounting standards to be applied."

NEDC wants to see binding and relevant accounting standards covering public and large companies and says it regards this as important for the proper functioning of financial and capital markets. It also believes that Stock Exchange should enforce accounting standards on listed companies, with the ultimate weapon being the right to suspend a company's share price.

What eventually emerges from the Watts report discussion will not become clear until public hearings—the first of their kind the UK accounting profession has had—take place this month. Whatever the outcome many informed accountants—whether auditors, finance directors or investment analysts—seem to accept that stewardship accounting as practised in the UK will have to undergo some major transformation over the next decade.

On the enforcement front it is inconceivable that the present system, where companies can with impunity chop and change accounting policies, will be able to continue. Equally the accounting profession will have to make up its mind that standards exist for one purpose—to serve the needs of users of financial statements. Unless the present self-regulatory system comes up with these results within a reasonably brief time the long-term prospects for accounting standard-setting in the private sector are remote.

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## Changes in the profession

THE PAST year has brought some important changes to the shape of Britain's accountancy profession. At the top end the much forecast disappearance of Turquand's Barton Mayhew, one of the country's 10 largest firms, was witnessed through a merger with Whinney Murray (now Ernst & Whinney). In the same league it became known about the end of 1978 that Thomson McLintock was involved in talks which could eventually lead to the formation of a major international accounting group to rival any of the Big Eight firms.

Moving down a little, there has recently been news that Arthur Andersen, the smallest of the Big Eight in the UK, is having merger talks with Tansley Wilt, a typical representative of the large medium-sized accounting firm. Finally, last month came the announcement of a merger between two smaller medium-sized firms—Pinnick Ross Wild and Allfields.

There is more than enough here to bear out what is now the conventional wisdom about the UK accounting profession—the line that says the Big Eight

will continue to squeeze out the medium-sized practices by taking over their larger clients.

In the Turquand's case a move had been predicted by close profession-watchers for years. On the national front the firm somehow seemed to have lost its former competitive edge. Despite its size and strength in the Far East, Turquand's was more often in the news because it had lost a client rather than gained one.

Internationally the firm was involved in a loose association called Klynveld, Turquand's VDTG. Originally, this had started out as an effort by three leading European accounting firms—Klynveld Kraayenhof of Holland, Deutsche Treuhand of Germany and Turquand's—to develop a European counterpart to the Anglo-American Big Eight. In addition, it had a typical series of associates around the world, including Hurdman and Cranston in the U.S. The concept had a logic but it never seemed to work, probably because the individual firms were not willing to give up enough for the benefit of the group as a whole.

The merger with Whinney Murray takes Turquand's into one of the Big Eight without any of its former European or North American associates. Offices of both groups in places such as Australia and S. Africa seem to be in the process of merging—an indication of how important referred fee work can be.

The Thomson McLintock development is not unconnected with what happened to Turquand's. On the one hand there were Klynveld Kraayenhof and Deutsche Treuhand, respectively the largest and second largest firms in Holland and Germany, but without a UK associate to look after clients' affairs. On the other there was a separate development in the German profession. Thomson McLintock's international firm—McLintock Main Lafrantz—lost its German member, Karol Wirtschaftsprüfung, as a result of the merger with Treuhand Vereinigung, the German firm which is part of Coopers and Lybrand International, another of the Big Eight.

McLintock and its partners Main Lafrantz in the U.S. were without a German firm to service their clients, while KK and Deutsche Treuhand were in need of a UK connection. The solution seemed obvious. As a gesture of good faith McLintock Main Lafrantz agreed to have its German clients serviced by Deutsche Treuhand. Talks then got underway.

The German and Dutch firms were still wedded to the old idea of forming a strong European accounting partnership, and they wanted Thomson McLintock to throw its lot in with

them. McLintock was not interested, but suggested instead that Klynveld Kraayenhof and Deutsche Treuhand should consider joining McLintock Main Lafrantz. It was on this basis that an announcement was made saying discussions were underway to create a new and major international accounting firm.

## Solution

The first problem the talks met was what to do about Hurdman and Cranston, the U.S. firm connected with KK and Deutsche Treuhand. Hurdman is a large U.S. firm just below the Big Eight in size. One of its major clients is the U.S. end of Philips, the Dutch electronics multinational which is audited in Europe by KK.

Such audits are not jeopardised easily in the international accounting business. Again the obvious solution was a merger between Hurdman and Main Lafrantz, which itself claims to be the largest firm in the U.S. Such suggestions were dismissed as "pure speculation" by both firms when first aired in public. Nevertheless, last month came the news that they have agreed in principle to merge. With the U.S. side tied up, the focus of discussions has now moved to Europe.

Thomson McLintock is one of the largest of the UK accounting firms. It is not a national firm in the sense that all partners share the same profit pool. It has been on many of the Big Eight's shopping lists. Yet it has survived. The key here seems to have been the strength of the firm's international partners.

The same does not appear to

be so with Tansley Wilt, despite its proud boast to be an international firm through its connection with Alexander Grant (another substantial U.S. accounting firm), and numerous associates around the world. Along came Arthur Andersen (AAA), possibly the most aggressive of the UK accounting firms, offering the London partners a share in AA's future and the whole Tansley Wilt exterior looked a little naked.

It turned out that the firm was a national partnership only in name and that a number of the regional offices would probably be left out of the proposed merger. To add to the confusion Alexander Grant, no doubt realising the impact of the possible merger on its own future, commented that as far as it knew the majority of the TW appeared finally only about the up with Arthur Andersen.

If firms like Turquand's Barton Mayhew and Tansley Wilt disappear into mergers with the Big Eight, which of the other medium to large accounting firms will survive? It is impossible to say with any certainty. What can be said, however, is that it seems unlikely that any of the firms listed in the accompanying table has not considered a merger in the past few years. By this time next year it would not be surprising if more well-known old names have not made a move.

Perhaps the best guide to the eventual survivors is the names the Big Eight mention as being the most desirable takeover prospects. Such firms have something to work for. Here the most outstanding example may well be Spicer and Pegler. It is a City-based firm, with lots

of City clients—though more than half its business is out of London—and the typical fee is under £100,000, with gross billings for 1979 probably of the order of £10m to £12m. Under the direction of managing partner Richard Langdon, Spicer and Pegler has developed into a national firm and is now also the lead firm in its own international group, Spicer and Oppenheim.

Writing to partners and staff a few years ago, he warned that some of the Big Eight will suddenly disappear or rapidly decline. But "there should be room for more." "We must particularly engender the competitive and market-orientated spirit within our own organisation."

## Survivor

Another survivor, so managing partner Mike Shirley-Beavon argues, will be Binder Hamlyn. Binder is not yet a national partnership but it has a unique link with two major European firms—Deutsche Treuhand of Germany and Dijkster of Holland. The strategy is similar to that of the old Klynveld Turquand's VDTG partnership but evidence so far is that this one may well work out. Binder Dijkster Otte, as the joint firm is called, markets itself as a European accounting firm. It is not yet a worldwide firm, though it has links with firms in the U.S. and elsewhere.

Medium-sized firms with specialist client areas may also be survivors—unless and until the Big Eight turn their attention to them. Examples here probably include Stoy Hayward, which has a name in the property and textile industries, Moore Stephens, which has cornered the Greek shipping market, and Baker Sutton and

Neville Russell, which do a lot of Lloyd's work. Thornton Baker, a firm with a vast array of small clients around the country, is also likely to be around for a long time to come.

The matter can be seen in a slightly different light by going back to the list of the top UK firms. Within the group it seems that the top five firms—Pear Marwick Mitchell, Price Waterhouse, Deloitte Haskins and Sells, Coopers and Lybrand and Ernst & Whinney—may be leaving the rest behind. Arthur Young and Touche Ross are much smaller than the others. The only way they could remedy the situation would be through a merger. But there are few firms they would want to acquire without shedding a few surplus partners. Arthur Andersen, even after the proposed Tansley Wilt merger, faces the same problem.

So what are the criteria for survival after all this? Talking to managing partners, the answers seem to be as follows: (a) doing a competent audit; (b) being large enough for economies of scale in training and back-up services; (c) having a highly respected name; (d) ability to recruit high calibre graduates from the major universities; (e) national coverage; (f) full range of specialist services—especially tax; (g) international competence. At the other end of the scale there are of course the thousands of small local accounting firms. For these there will always be plenty of work and a good living—provided, as one partner put it, everyone is willing to take his coat off to provide the service the client needs.

Michael Lafferty

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Confusing  
groups

THE BRITISH accountancy world is confusing, even for those who are accountants, with an array of bodies and initials capable of creating considerable confusion. There is the CCAE, the ICAEW, the ICAS, the ASC, IAA, APC, UEC, CIPFA and ICMA—to mention but a few.

The legal position is straightforward: anyone can call himself an accountant. Unlike countries such as Germany and Holland where the right to use professional titles is closely regulated, there is nothing in Britain to prevent a few students who have failed the Institute of Chartered Accountants exams from opening an office in the High Street and presenting themselves as "Accountants and Auditors." This has certainly happened.

So, first of all, what are the bodies and qualifications which are normally regarded as part of the established accountancy profession? There are six professional bodies in this category: the Institutes of Chartered Accountants of England and Wales, and of Scotland and Ireland; the Association of Certified Accountants; the Institute of Cost and Management Accountants; and the Chartered Institute of Public Finance and Accountancy.

Together, these bodies present their views to the outside world through the Consultative Committee of Accountancy Bodies (CCAB), which is run from the Moorgate Place headquarters of the English Institute of Chartered Accountants, the largest of the professional bodies.

There are certain distinctive characteristics of each of the professional bodies. The Institutes of Chartered Accountants likes to claim the highest status in the accounting scale of esteem. This goes back to the days when the only way a young man could become a chartered accountant was by serving articles of clerkship, for which right he had to pay a premium.

The premium system disappeared finally only about the time of the last war. The Institutes system still remains the hallmark of a chartered accountant's training today. He can enter the profession only by training with a practising firm of chartered accountants, where he is "articled" to one of the partners. Nowadays it is common to describe this process as studentship.

While training, the student accountant is expected to be given a broad range of experience, but most of his time is likely to be taken up with auditing clients. When he qualifies and has gained a number of years' experience the chartered accountant is eligible to apply to the Institute for the practising certificate—at which point he may set up his own accounting firm, or go into an existing partnership as a member of the firm.

The Association of Certified Accountants and its predecessor bodies started their existence by providing an alternative to the chartered accountant qualification for poor students who could not afford the expense of articles. Today it is the second largest accounting body in the UK in terms of total membership, which amounts to more than 20,000 individuals. Less than 2,000 certified accountants are in full-time public practice running

accounting firms. The vast majority are in industry, and commerce.

The Institute of Cost and Management Accountants is probably the nearest competitor to the Association of Certified Accountants. Like the majority of certified accountants, its students are trained wholly in the companies or firms where they work. There is no systematic articles and the essential difference is that training is normally in a company.

The Cost and Management Institute has more than 17,000 members and no fewer than 30,000 students. The comparable student figure for the association is in excess of 58,000. A very large proportion of these students work and study and take their exams in countries outside Europe, normally in the new Commonwealth areas. In the case of the association slightly more than half of the registered student body is overseas. Of the home proportion only 1,300 of the 29,000 students are graduates.

The vast student bodies of both the association and the Institute of Cost and Management Accountants occasionally attract complaints from the other professional bodies. Indeed, there have been suggestions that the Association has been making a considerable profit for its student population. This may no longer be the case, however, since fees were reduced a year or so ago.

The Chartered Institute of Public Finance and Accountancy (previously the Institute of Municipal Treasurers and Accountants) is the accounting body which generally trains accountants for local government. Increasingly it is getting a foothold throughout the public sector and even within the Exchequer and Audit Department, where most of the existing staff do not have formal accounting qualifications.

## Competent

Within the CCAB group there are what are called the "recognised bodies"—the professional bodies whose members are recognised specifically under the Companies Act as being competent to carry out audits. These are principally the Institutes of Chartered Accountants in England and Wales, Scotland and Ireland—and the Association of Certified Accountants.

Added to this is a newly-formed body called the Association of Authorised Public Accountants. This was formed in July 1978 and includes more than 400 of the estimated 1,000 individuals authorised to carry out company audits by the Department of Trade in addition to those qualifying automatically because they are chartered or certified accountants.

The new Association seems to be working fairly closely with the Association of Certified Accountants, which has agreed in principle to provide its technical services to the new body's members. Members of the Association of Authorised Public Accountants point out that Department of Trade authorisation is given only to applicants who can demonstrate many years of experience in public company audits under the supervision of a member of the officially-recognised bodies.

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# Progress towards a common standard

ACCOUNTING HAS made considerable strides in recent years towards the goal of achieving full precision and comparability in company reporting. But experienced users of accounts will know that there are still many occasions when a sharp eye and an ability to read between the lines are necessary for a full understanding of a profit and loss account or a balance sheet.

There are also dovetailing accounts who are liable to agree that in special circumstances companies are justified in declining to follow a standard while when it comes to tricky points they may decide that so long as there is what they think is adequate disclosure in the notes to the accounts they will be satisfied.

To take one entirely innocuous example, for some years ICI adopted accounting policies in respect of Government investment grants which were not compatible with the accounting standard SSAP 4. Its accounts were qualified, but such a purely technical qualification appeared to have little effect.

In 1977, however, the company changed—ironically because of the insistence of a foreign agency, the U.S. Securities and Exchange Commission, that it should observe generally accepted UK accounting practices in its financial statements.

## Face

If accounting policies were completely voluntary, of course, all sorts of U-turns would be employed by companies seeking to show their best face to the world at all times. An example of this can be found in the behaviour of Thomas W. Ward in the past two years in relation to the Hyde guidelines on inflation accounting. Compliance with which is, of course, entirely a voluntary matter and does not concern the auditors unless they are asked.

So it was that Ward published current cost profit figures in January, 1978, and the conclusions of the Hyde Committee

were welcomed for their simplicity. By chance, falling scrap prices had that year reduced the cost of sales adjustment by £2.1m. In January, 1979, the current cost figures mysteriously failed to appear in the annual report. There was no explanation, but it was a fair guess that after a surge in scrap prices the cost of sales adjustment would have looked much more damaging than a year before.

Many other companies, of course, have made excuses for not publishing inflation-adjusted figures. The explanations have varied, but strangely have never included the most honest justification: that publication might, in the view of the directors, damage the company.

## Twilight

Most such problems of omission will disappear, of course, when current cost accounting becomes compulsory. But disclosure still remains an important factor in a number of areas of accounting. There is, for example, that perennial twilight area between exceptional and extraordinary items which sometimes pop up above the line and sometimes are confined below.

Companies like Debenhams and Trafalgar House take in property disposal profits above the line, which may be acceptable if they are regular items, but nevertheless such profits are highly volatile and cause analysts considerable problems in assessing the underlying level of earnings.

And Trafalgar's last annual profits received a £3.9m boost from a gain which had arisen in a slightly curious way. Its stake in Savoy Hotel had been bed-and-breakfasted (gold and bought back overnight for tax reasons) in 1974-75 and a £2.6m loss at that stage was treated as an extraordinary item. Subsequently the shares were reclassified as current assets. So when it came to selling them last year, the £3.9m surplus which arose compared with written down value went into profits. This treatment was, however, fully disclosed in a note.

Different auditors can permit different companies to treat the same problem in alternative ways which can only mystify users. An example of one of these difficulties can be found in the upheaval suffered by the telecommunications industry in

recent years as it has struggled to adapt to Post Office cutbacks and to the changeover from electromechanical to all-electronic switching. All this has meant big staff redundancies and major plant rationalisation.

The puzzle is that, whereas Plessey has found it appropriate for several years to make big extraordinary charges below the line, its competitor STC has treated rationalisation costs only as exceptional items which are charged before striking a pre-tax profit figure. It will be interesting to see whether this contrast persists now that STC has become a listed company.

The report and accounts published by Lorrho early this year aroused interest because of the company's insistence on treating House of Fraser as an associate. It held a slightly lower stake than the minimum recommended by the relevant accounting standard SSAP 4 (a problem effectively cured since then, however, by the takeover of SUITS).

But it was also noticeable that Lorrho had changed its policy on currency translation so that unrealised exchange adjustments, which used to pass through the p and l account as extraordinary items, now go straight to reserves. Due to the strength of sterling, exchange losses are now a problem for companies which used to bank in the warm glow of devaluation-induced gains. It appears that the Lorrho accounts prompted other clients of Peat Marwick Mitchell, joint auditors to the company, to ask whether they could make a similar change.

There is nothing wrong with modifying accounting policies when they begin to cause distortion. But it was evident that Lorrho had not at the same time changed its unusual policy for depreciation, which allows it to write back into profits the unrequired past depreciation on revalued assets.

This policy boosted profits sharply more last year than it had done in the past. Peats told the Monopolies Commission, which was inquiring into the Lorrho/SUITS merger, that this practice was "acceptable, given adequate disclosure, though somewhat unusual."

One controversial area which promises to become still more contentious with the approach of current cost accounting is that of asset valuations. The property and shipping indus-

tries are noted for their flexibility in the treatment of balance sheets, which sometimes have to be read in conjunction with notes appearing a good few pages further back in the annual report.

When the Dutch company Wereldhave was bidding (it turned out unsuccessfully) for English Property Corporation a few months ago, it was able to point out certain discrepancies. A £33m shortfall in the value of EPC's Brussels properties had been acknowledged in its annual report but had not been reflected in the balance sheet.

Then there is the continuing saga of Burmah Oil. Everybody knows that when Burmah took delivery of the Burmah Endeavour and the Burmah Enterprise, two giant tankers, the company was acquiring a hole in its balance sheet. At the end of 1978 these vessels were being carried in the books at £89.2m, but as a note to the accounts put it, "profitable employment for these ships is not in prospect."

The attitude of the company is that at some time in the middle 1980s the ships will be worth more than the then book values after depreciation. The auditors, Whitley Murray, are not happy at the balance sheet valuation and have heavily qualified their report. But the unsatisfactory position remains that assets are being carried in the balance sheet not at what they are worth but at what the directors hope they might possibly be worth in a few years' time.

## Favoured

It comes back, once again, to the question of flexibility. The system of accounting in the UK is neither strictly historical cost, as in the U.S., nor current cost. It is a system much favoured by companies because they can revalue their assets if and when it suits them, rather than be forced to devalue them in the middle of a crisis which might leave the balance sheet uncomfortably exposed. The worst that can happen is that a cautionary sentence will be inserted into the auditors' report saying something such as that it is not clear whether or not the assets are included at appropriate values. But before long, perhaps, the penalty will be more severe.

Barry Riley

# Keeping track of inflation

ED 24... ED 24... ED 24. Inflation accounting is now into its third exposure draft and it will be next October when the exposure period for ED 24 ends—before it will be possible to gain a firm idea of whether the latest effort of the Accounting Standards Committee (ASC) stands a better chance than its predecessors. One of these was killed off by the intervention of Whitehall and the other by a rebellion within the accounting profession.

At this stage, however, there are some favourable signs. The latest acceleration of inflation to a threatened 17.5 per cent by November adds an element of renewed urgency to the inflation accounting programme, which was in danger of being slowed down by the dip of inflation into single figures last year. And the new Conservative Government shows signs of being much more enthusiastic about current cost accounting than the Labour administration.

The Inland Revenue is keen to go over to a proper form of inflation accounting to replace the ad hoc concessions, notably for stock relief, that they have been making for some years. But it is not clear at this stage whether the Inland Revenue is happy with the ED 24 proposals as they now stand. It is to discuss the matter with the accounting profession in the autumn.

## Receptive

With the passage of time opinion both inside and outside the accounting profession is probably more receptive to the idea of current cost accounting (CCA) than a few years ago. The heated arguments over the more controversial aspects of CCA, and over the question of the need for gearing adjustments, appears to have died down. Yet there are still several areas in which ED 24 is coming in for criticism.

For example, the definition of the monetary working capital adjustment (MWCA) is hazy, and the boundary line between short-term working capital and

long-term financing is vague. Many experts are unhappy at the gearing method chosen, which falls short of allowing full adjustment for the benefit of equity holders receive from the erosion of the value of borrowed money.

Economists take a more radical view on this point than accountants, who tend to be influenced by prudential considerations. Thus economists argue that the whole of the gearing gains which accrue to companies should be credited to profits. But the ED 24 position is that realised gains can be so treated, so that only the geared proportion of the depreciation and working capital adjustments are released to profits.

The differences can be considerable. The Bank of England has just produced estimates of real rates of return on capital for UK industrial and commercial companies. The most conservative of these does not allow for gearing benefits at all, but simply represents profitability net of stock appreciation and replacement cost depreciation. On this basis British industry earns a return of around 4.5 per cent.

On an ED 24 basis, however, the Bank of England's economists estimate that for 1977—the latest year for which figures are available—the pre-tax return would have been more like 6.2 per cent. And on the basis of a full "natural" gearing adjustment the return would have been 7.4 per cent.

Critics have pointed out some of the anomalies of the ED 24 gearing adjustment. Gearing gains will depend on the kind of assets a company owns rather than simply on whether their value has increased, while companies like GEC which have big cash holdings will not have to provide for any diminution of the real value of their net monetary assets.

Or the other hand the Morpeth Steering Group points to the EEC Fourth Directive with its prohibition of the inclusion of unrealised gains in profits.

What is perhaps a more

important deficiency of ED 24 emerges, however, at a practical level. The problem is that the proposals involve two profit figures appearing in a single report and accounts. One is a figure which the auditors will say represents a "true and fair view" on the historical cost convention. The other is a supplementary figure which may not be audited at all, although there is pressure on auditors to adopt some form of positive qualitative statement such as that the current cost accounts are "properly prepared."

Plainly the existence of two quite different profit figures poses problems of credibility for users of accounts. The intention underlying the approach of ED 24 is that after a short time the dual approach will be dropped and the current costs accounts will become the main accounts. But it is not at all clear how this transition will be achieved.

## Patchy

Presumably much depends on the attitude of users of accounts. If stockbrokers, institutional investors, bankers and financial journalists start concentrating on the current cost figures once they can get hold of figures for all listed companies (the response by companies to the voluntary Hyde guidelines has been distinctly patchy) then public opinion could exert considerable pressure. Perhaps one day, for example, the FT will change its back page p/e and cover calculations over to a CCA basis.

But if users prove to be as conservative as the accountants have been, it could all take a very long time. That may be why public officials are now taking a more active approach. The Governor of the Bank of England, Mr. Gordon Richardson, recently called for widespread adoption of CCA to counter the distortions allowed by historic cost figuring.

The attitude of the Inland Revenue could be highly influential here. Adoption of CCA for the purposes of corporation tax would be highly

significant in encouraging companies to concentrate their efforts on this form of accounting.

But there remains plenty of entrenched opposition to CCA. Insurance companies and property investment companies have refused to have anything to do with it, and have been granted exemption from ED 24. Shipping companies have been notable for their refusal to comply with the voluntary Hyde guidelines and it remains to be seen whether they will be convinced that a satisfactory solution can be found to the shipping industry's problems over asset valuation.

Then of course there is the accounting profession itself. It is only two years since, by a majority vote, the English Institute rejected the introduction of compulsory CCA.

The Steering Group knows that there is still plenty of opposition among smaller accounting firms. The scars of its previous defeat show in the flexibility of the new exposure draft—the new rules will cover listed companies, but ED 24 is somewhat tentative in proposing at what turnover level private companies will have to conform—and in the absence of any laid down timetable for further developments in inflation accounting. The ASC will probably only go as far as it thinks opinion within the profession will allow.

But the debate is not being carried out in a vacuum. If the accountants continue to drag their heels the Government may be tempted to take a firmer stand. And there is an international perspective to the debate. In the U.S. the Securities and Exchange Commission, disturbed at the impact of inflation, now rising about 10 per cent, has been seizing the initiative from the U.S. accounting profession.

It will be a blow to the reputation of the accounting profession on both sides of the Atlantic if it proves unable to respond adequately to an urgent problem.

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## ACCOUNTANCY IV

On this and the page opposite profiles by  
**MICHAEL LAFFERTY and BARRY RILEY** portray leading figures in accountancy, including this year's centenary President of the Institute of Chartered Accountants in England and Wales.

## Aspects of the accountant at work



**David Hobson**

DAVID HOBSON has been senior partner of Coopers and Lybrand since 1978, when he succeeded Sir Henry Benson, one of the profession's best-known personalities. Though there were questions at first, senior accountants today have no doubts about David Hobson. He is tough in the traditional Coopers mould.

David Hobson shot into the public eye in 1975 when the Department of Trade report on London and County Securities (L & C), where he had been one of the two inspectors, was published. The report catalogued the failure of L & C, which itself precipitated the start of the secondary banking collapse. It was highly critical of many of those involved, not least the old accounting firm of Harwood Banner, now part of Deloitte Haskins and Sells, which had acted as auditor.

Such criticisms were only the beginning of what began to seem like an avalanche for the accounting profession. Yet at no time has any criticism been levelled against David Hobson, though privately it would only be human if partners in Deloitte, which is now facing an £8m writ as a result of the L & C failure, wished his report had been less explicit.

David Hobson has been fortunate enough to head Coopers at a time when, despite controversies surrounding many other major accounting names, his own firm has not been the centre of a single "public case." The only such known action against Coopers, relating to the company Burnholme and Forder, was crossed off the list in the High Court recently.

Like his predecessor, Mr. Hobson has managed to combine a successful career within his firm with considerable achievement in external professional affairs. He is an enthusiastic member of the Accounting Standards Committee, and has been regarded for some time as a likely chairman. He is also a member of the Council of the English Institute of Chartered Accountants, where the presidency may yet come his way.



**Hugh Patterson**

HUGH PROUDFOOT Patterson has been senior partner of Whinney Murray since 1973. In the past year he has taken his firm into the largest single merger the UK accounting profession has ever seen—the link with Turquand Barton Mayhew. The combined firm has over 180 partners and probably ranks third in order of size among the big accounting firms. It now practices under the name Ernst and Whinney, a title which reflects the combination into one international accounting group

of Ernst and Ernst of the U.S., one of the Big Eight firms, and Whinney Murray.

Mr. Patterson is a tough, austere, cautious and careful individual. He came to head Whinney Murray by a path which would seem unlikely today, for such a major firm. He did not go to university. After qualifying as a chartered accountant in 1934, he joined the firm Whinney Smith and Whinney, becoming a partner no less than 10 years later. His initial specialisation was in tax work, moving to the more traditional audit area only in 1965, the year when major changes in UK tax laws were enacted.

Today he still manages to mix client work with the job of running Ernst and Whinney. His main audit clients include Midland Bank and Dunlop. Others have been Bass Charrington and Whitbread. He also headed the firm's team which advised the last Government on the nationalisation of the aircraft and shipbuilding industries.

Perhaps because of his tax background Mr. Patterson has not taken any noticeable part in professional activities outside his own firm. A colleague comments that the vast commitment of other partners in the firm to Institute affairs made it unnecessary, or maybe impossible, for Patterson to get involved.

Asked to reflect on Hugh Patterson's greatest professional achievement, partners in the firm freely admit that this lies in the organisation and efficiency he brought to Whinney Murray. "Without that we would never have been able to merge with Turquand," comments one partner.



**David Rae Smith**

FOR DAVID RAE Smith, Deloitte Haskins and Sells is something of a family firm—his father, Sir Alan Rae Smith, was a leading partner before him. Now, at 59, Mr. Rae Smith is senior partner of a firm which stands very near the top of the UK accounting league table. It is a position which owes a good deal to the impact of one of the largest UK accounting mergers—the 1974 union of Deloitte with Harwood Banner which took place fairly soon after Mr. Rae Smith became senior partner in October 1973.

He joined Deloitte, his only firm, in 1948. He has specialised in audits—large, medium and small—and has been active in investigations, new issues, and general financial advice. On the other hand, he has never become involved in tax affairs

or management consultancy. David Rae Smith has active interests outside Deloitte. Since 1961, he has been Honorary Treasurer of the Royal Institute of International Affairs, work for which he was awarded the CBE in 1976. At the English Institute of Chartered Accountants he sat for a number of years on the overseas relations committee. In his spare time he enjoys horseracing.

His period as senior partner has provided plenty of challenges. Another major development for the firm after the Harwood Banner merger was the cementing of the relationship with the U.S. firm Haskins and Sells, which led to the adoption of the common trading name Deloitte Haskins and Sells from May 1978. This change marked a stage in the slow process of a complete amalgamation of the two firms.

Recently too the UK firm embarked on major management changes. Mr. Rae Smith told partners and staff in April this year that the structure created after the Harwood merger "had begun to show signs of creaking in some areas." Now the senior partner is backed up by two new executive partners, the managing partner of the UK firm and the international partner.

These moves relax some of the burdens on David Rae Smith, but he insists that as senior partner he will still be "the focal point in the partnership both internally and externally." He points out that clients come to see the senior partner for general advice. "They see me as an independent man of business affairs, to whom they can chat in confidence."

## James Macnair



JAMES MACNAIR is senior partner of the London partnership of Thomson McLintock and joint chairman of the UK firm's policy committee, a post which he shares with John Kirkpatrick, senior partner of the Scottish TML partnership. To the outside world it all seems very unwieldy, all the more so when it is appreciated that there are no fewer than 12 separate and largely autonomous Thomson McLintock partnerships throughout the UK. They are held together by the UK policy committee, which is said to have "considerable persuasive powers."

James Macnair became the senior man in London in April 1978, in succession to Sir William Millemans. After reading history at Oxford he had joined the firm where his uncle was already a partner. Mr. Macnair himself was admitted to the London partnership in 1953 and for many of his early years worked closely with Sir William. Colleagues say he cannot be categorised as an audit or tax partner. "He was a general partner, as opposed to a specialist."

In later years James Macnair became increasingly concerned with the development of the practice. His particular contribution has come in the expansion of McLintock's international coverage, through the group of firms which is now known around the world as McLintock Main Lafrantz.

In this organisation Thomson McLintock is definitely one of the main partners. It is a tribute to the strength of the international firm that it has not fallen apart like so many others in the fast-changing international accounting world of recent times. In particular Thomson McLintock has resisted the offers of Klynveld Kraayenhof and Deutsche Treuhand, two leading Continental firms to leave McLintock Main Lafrantz to form a new European partnership to compete with the Big Eight. Instead, it has been successful in setting both firms interested in joining McLintock Main Lafrantz.

If the international partnership which the current talks appear to be aiming at comes about James Macnair's skills and international accounting expertise will be much in demand.

James Macnair is a senior partner in the traditional mould. He has progressed within his own firm and is also a leading personality and thinker on professional and technical accounting matters. He is a council member of the Institute of Chartered Accountants of Scotland.

Within the London firm Mr. Macnair does not have direct executive responsibility for the managing the partnership—London has its own policy committee. He retains an interest in a number of audit clients, including Associated British Foods, the National Enterprise Board and UK Optical Group and is a specialist in the aircraft industry.

## David Richards

NEXT MAY the English Institute of Chartered Accountants will hold a week of celebrations to mark its centenary. The occasion will be signalled by an international conference, an exhibition and a centenary ball among much else (though the Post Office has turned down the suggestion of a special postage stamp issue). The man who will preside over all the festivities will be David Richards, who was elected as President of the Institute on June 6.

Mr. Richards has made rapid progress through the professional societies and committees. During the 1960s he was prominent in the London and District Society of Chartered Accountants, becoming chairman in 1969-70. He was then elected to the Council of the Institute in 1970; since then he has been at various times chairman of the auditing practices committee, the post-qualifying education committee and the research committee.

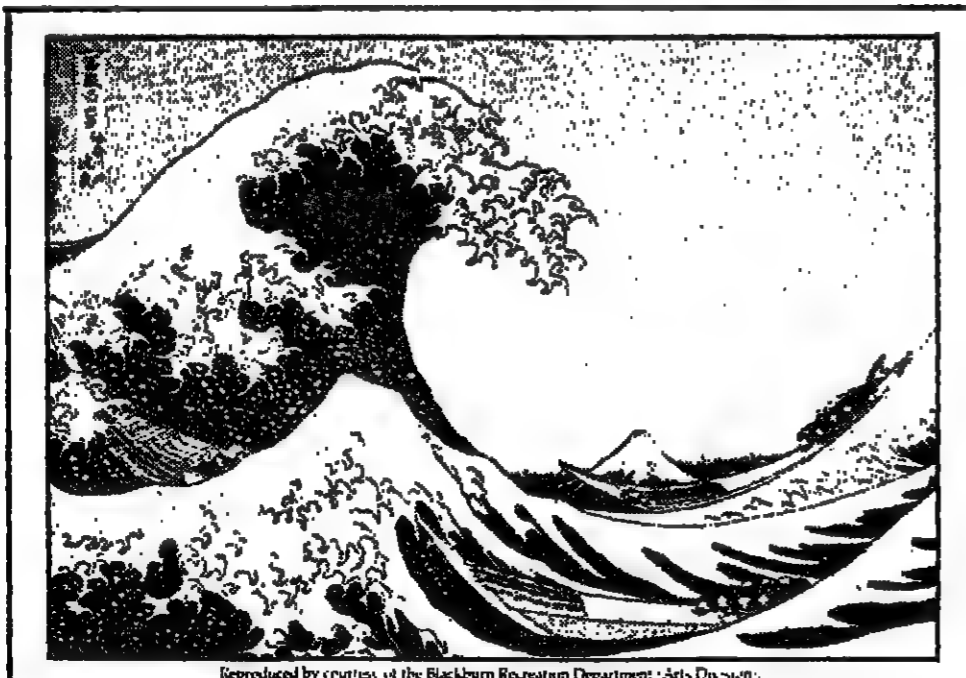
He was educated at Highgate School and qualified in 1951 with the firm of Harwood Banner, of which he soon became one of the youngest partners. In 1974 this was absorbed into the larger grouping which now trades under the title Deloitte Haskins and Sells. The link with Harwood Banner has caused occasional embarrassment, however, in the light of adverse publicity resulting from the collapse of the fringe bank London and County Securities, of which Harwood had been auditors.

Though Mr. Richards carried no personal blame his firm was criticised in a Department of Trade Inspector's report, and he thought it right to tender his resignation as chairman of the auditing practices committee in 1976. Clearly this problem has not lost him any respect within the profession. But there is an awkward possibility that the £8m claim by the London and

County Liquidator against Harwood could come into court in 1980.

David Richards has just spent a year as chairman of the Institute's public relations and communications advisory committee and has been a member of the centenary celebrations working party, so he will be fully prepared for the hectic schedules of the year ahead. It does not look as though he will have much time for his hobbies, which include golf, tennis, sailing and church music. He is 50.

Curiously enough, his election this year perpetuates a sequence in which partners of Deloitte—or one of the firms it has absorbed—have held the presidency in the Institute's 25th, 50th, 75th and now 100th year.



"The Waves at Kanagawa" by Katsushika Hokusai (1760-1849)

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# Key questions on leadership

IT IS commonplace today to hear people in accountancy talk about the shortage of leaders in the profession. They remember all the good points about the great leaders of the past, and ask how the profession is going to present itself to the public in the years to come, when pressures on auditors and accountants generally are expected to increase.

It is easy to see why such questioning should arise in the late seventies. After all, the British accountancy profession has been through tough times over the past few years.

The whole accounting standard-setting process has increasingly come into controversy. The profession's efforts to introduce systems of inflation accounting have so far come to nothing, there was the humiliating defeat for the establishment when members of the English Institute of Chartered Accountants voted overwhelmingly in 1977 against making any system of cost accounting mandatory, the reputations of auditors have slipped significantly (following the rush of Department of Trade reports after the secondary banking collapse).

Furthermore, efforts to introduce auditing standards have so far come to little while the profession is becoming increasingly divided between the major accounting firms—which run their affairs like multinational businesses, with all the business development practices considered normal in commerce and industry—and the traditional smaller firms, which still aim to provide a general service to individuals and smaller businesses.

Altogether, it is a far cry from the sixties when even the largest firms of the day would be considered medium-sized and probably on the way out, by today's standards. Then the pressures on accountants and auditors were far less. Accounting standards were something the Americans had allowed themselves to be conned into issuing. The "true and fair"

view approach was thought to be much better—and far safer, no doubt.

Auditing standards were unheard of 15 to 20 years ago. Accounting and accountants were then accepted far more on their own terms than they are nowadays. There was little or no attention to accounting matters in the Press, and the profession progressed in cosy comfort with the then professional Press. What the leaders said, went. It was reassuring to be an auditor. Writs for professional negligence claims were hardly admitted.

### Course

The Companies' Act and case law was the basis of most accounting and, certainly, the auditing text-books. It was normal to become a chartered accountant in the '60s simply on the basis of a Foulke Lynch correspondence course, with occasional visits to the local students' society for those who wanted a little extra.

As the 1980s approach, all that seems almost another world. As an organised profession, accountancy is still only about a century old and there has probably been more progress in the past decade than the previous 50 years.

Today, the accounting profession and accounting matters can no longer be seen as com-

prising only that which is dealt with through the professional bodies, under the direct control of officers, such as presidents.

Accounting standards, possibly the single most important area of the profession's public involvement, are dealt with by an Accounting Standards Committee, which would dearly like to distance itself further from Moorgate Place.

The ASC chairman, if anything, has become the most important public man in accounting. Auditing standards are going the same way: there is a joint committee of the professional bodies, entitled the Auditing Practices Committee,

with its own chairman. In the area of discipline, the same thing is about to happen. Though the English Institute of Chartered Accountants still holds sway on just about everything that happens in British accounting, the power of its president has diminished a great deal. There is no way, probably, that he could take public issue with the chairman of ASC and expect to be regarded as the authentic spokesman of accountancy.

While this process of fragmentation has been taking place within the Institute it would appear that the changing demands of professional firms have restricted the numbers of top quality partners prepared to give their time to Institute affairs. Looking at the seven-

largest firms in the UK, for instance, it is apparent that those senior partners who manage to combine a successful career in their own firms with outside involvements in professional affairs, are decidedly in the minority.

The senior partners of Arthur Young, Deloitte, Haskins and Sells, Price Waterhouse, Touche, Ross and Ernst and Whinney are distinctly in the administrator category: only those from Coopers and Lybrand, Peat Marwick Mitchell and Thomson McLintock fall into the more traditional mould.

In the case of each of the latter it is probably easy to see how the combination of work for the profession and internal practice administration has been achieved. The point is that these are more the times of accounting managing directors for senior partners.

But why should senior partners give up valuable time for the sake of the profession as a whole, when the competition is getting on with the job? The only answer to this is to be found in the overall status of the accounting profession itself.

Unless the big firms put their best men into the Institute, they will get the profession they deserve. It is how one English Institute official put it. Looking through the list of possible future presidents for the Institute, he felt that the problem was not far off crisis-

proportions. Nevertheless, within the accounting profession it is widely alleged, with some truth, that the big accounting firms still control the affairs of the English Institute, which is by far the most important of the professional bodies. All the leading firms will freely admit that they have allocated so many men to Institute activities, generally as part of the practice development programme.

Apart from this, however, it makes a lot of sense for accounting firms to keep in touch with what is going on in the business world. To take one simple example: many Government and City issues are passed round for private consultation among the professions and representative bodies long before they reach the public eye.

### Gained

Another indication of what is to be gained from having a man at the Institute, particularly somebody on the Council or the Accounting Standards Committee, is provided by oft-told stories about minutes being circulated within firms after meetings. It can be very useful for client purposes to know precisely what is happening on a particular proposed accounting standard.

Internationally, where today there is so much more emphasis, a seat on the Institute's Overseas Relations Committee would

seem to have great intelligence advantages, and so it has, according to one firm. At present, the membership of this committee falls under the control of major firms, all with major international connections.

The point is that involvement with Institute professional affairs need not always be the one-way process it is sometimes made out to be. A seat on an international committee, such as the International Federation of Accountants, would seem an ideal way of doing a "crammer" on international accounting affairs. Indeed, the present chairman of IFAC, Mr. Goerdeler, of Deutsche Treuhand of Germany, would probably say as much.

British accountants, as with all professional men, are extremely conscious of their professional status. The change in the face of the profession has reduced the number of senior partners who can devote time to professional affairs.

Increasingly, it would seem that the job of the senior partner is becoming that of a managing director. He is more and more unlikely to have clients of his own. Instead, the men who are chosen (by the practice development-minded senior partner) for Institute affairs today are more likely to be technicians, rather than those dealing directly with clients.

M.L.

# Debate on auditing rules

A FEW months ago, Mr. Ian Hay Davidson, the colourful senior partner of Arthur Andersen UK, said, in an article, that the proposed new auditing standards were incapable of application to the smaller company. The result, he argued, was that the standards should be fled away until smaller companies are legally exempt from the audit requirement.

The implication of Mr. Davidson's reasoning is quite startling: he is saying, quite simply, that there may be hundreds of thousands of companies in Britain today which are receiving unqualified audit opinions which they would not be entitled to if the proposed standards (which do not seem particularly onerous by international standards) were in force.

Mr. Davidson went on to suggest that many of the smaller companies may not be keeping proper books of account, as required by the Companies Act, and that there are, therefore, wholesale violations of the Act. Ian Davidson is not the first accountant to come to these conclusions, though in typical style he is one of the few willing to express his views in public. The underlying issue is dynamic in the accounting profession. For if the audit requirement were to be removed for small, family-owned and managed (so-called "proprietary") companies, the vast majority of accounting firms up and down the country would probably lose clients.

In order to provide some consolation for all these firms, the men on the profession's Auditing Practices Committee came up with the idea of the "review," a sort of mini-audit, which all small companies exempt from the audit would have to have.

In practice, it is suggested, the review would involve little change in what most auditors are doing at the present time. On the other hand an advantage it would bring, so it is said, would be fewer negligence claims.

Until the company law position becomes clear, the status, and certainly the value, of the proposed auditing standards, will be in doubt. As events stand, the UK is increasingly looking the odd-man out in the auditing standards area. The profession in the United States has had such standards for 40 years, they exist in Canada and Australia, and even the German profession has had audit standards since 1970.

As the situation stands, the only guiding light for the British auditor is that beautiful phrase in the Companies Act, which says that accounts shall give "a true and fair view" and the auditor must state in his report whether, in his opinion, they do. There is no definition of what is true and fair, though it would seem sensible to say that the growing body of accounting standards provide a framework within which most accounting policies could be assessed for truth and fairness.

This is all very well. But it looks very odd, in practice, if an auditor says a company's accounts give a true and fair view using one accounting policy for, say, currency translation in year one, another in year two, and possibly reverting back to the old policy again for year three.

The problem arises with new accounting standards: what is true and fair one year is not the next, and in practice both finance directors and auditors seem willing to stretch this one as far as it will go.

If accounting standards are constantly appearing, such difficulties might appear to be merely a passing phase—provided there is some logical basis for the whole accounting approach, enabling auditors to judge in areas yet to be standardised what is in line with the underlying convention.

Reconcile

In practice, however, there is no longer an agreed underlying convention. It appears to have been, though nobody says so, the notion of historic cost. But there is no way that some of today's accounting standards could reconcile with this.

In addition, an increasing number of companies have been adopting quasi-inflation accounting adjustment in their main accounts, suggesting that it is acceptable to produce accounts according to a variety of different conventions, or mixtures of conventions.

In such a changeable and uncertain world it would seem

that the auditor's opinion has a potential double value—both in the sense of saying whether the figures follow all the stated accounting policies, and expressing an opinion on the appropriateness of the overall collection of policies.

The latter is something most auditors appear to shy away from. They say, quite rightly, that the accounts are those of the management and that, in any case, it would be a foolish auditor indeed, who would lay his head on the block by saying that one set of policies was appropriate, while another set was not.

The issue is not unconnected with the question whether the "true and fair" view should be assessed on the basis of the profit measured on the face of the income statement, or on the basis of the income statement as adjusted by any items shown in the notes. The matter received some discussion in the Department of Trade Inspectors' report on Court Line.

Another aspect of auditing which deserves mention is the concept of materiality. There are many references to this in the Companies Acts, and auditors generally look at the extent of errors or non-disclosure in accounts according to whether the item concerned is material.

In other words, it might be that by adopting a different stock valuation policy than that allowed for in the relevant accounting standard profits for the year are overstated by more

than 10 per cent. This would obviously be a material difference, and auditors might be expected to qualify their opinion on such accounts.

In practice, of course, there is no definition, or even limits for what ought to be considered material. Different accounting firms most probably have different ideas on this. Indeed, it is said that while one of the major firms is an enthusiastic backer of tough accounting standards, its approach on audit is to take a broad view of materiality, whereas "another" firm, which tends to favour flexible standards, is much more willing to qualify on the basis of material differences from standards.

It all comes down to saying that auditing in the UK is still totally an area where the auditors' judgment is paramount. There are no rules for good audits, and there are precious few ways in which a shareholder can determine whether an auditor is doing his job. That normally has to wait until the company lands in trouble, when there is an independent inquiry.

When auditors are criticised as a result of such inquiries, one of their usual defences is that the inspectors are applying hindsight (and today's standards) to work carried out years ago when different standards applied. This will remain a perfectly viable defence until the UK accounting profession is forced towards the issuance of definitive and binding audit standards.

M.L.

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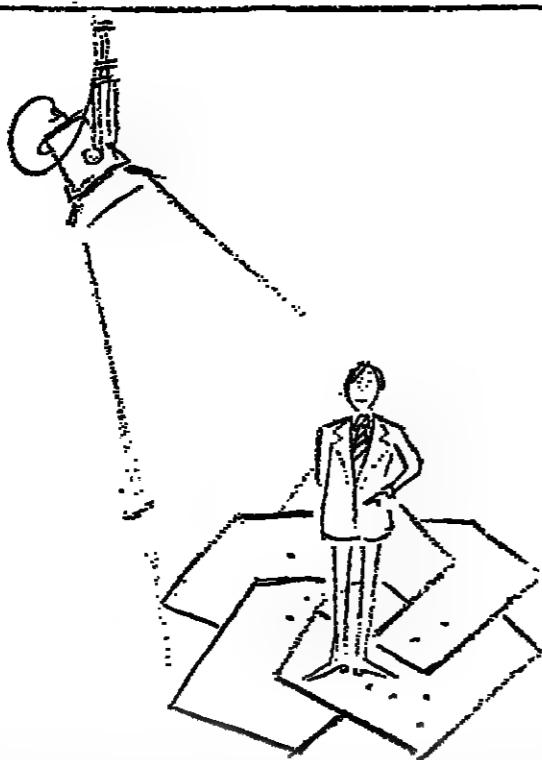
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## ACCOUNTANCY VIII

# Recruitment still at a high level

WHEN THE Government announced its general ban on public-sector recruitment, an anonymous official at the Civil Service Commission struggled hard to find some bright side to look on. "There will be exceptions to the ban, of course," he told me. "Indeed, the first of the exceptions will probably be approved by Ministers, and the jobs in question be advertised in the very near future."

"What sort of jobs will the exceptions be?" I asked, suspecting that I already knew the answer. And sure enough, I did. "Oh, they'll be for accountants," the official replied. "The month or so which has followed the above conversation has further reinforced the impression that, where job prospects are concerned, it would have to be an almost incredible will that failed to blow accounts away."

Reports from university campuses indicate that while the Civil Service has frozen its demand for new graduate staff in general, recruitment is still proceeding merrily for some areas of central Government—notably the Exchequer and Audit branch. Local government also now appears to be cutting its previous orders for new graduate recruits, with the prominent exception of some hundreds needed for accounting jobs.

Asked to explain these phenomena, an expert on graduate recruitment scarcely hesitated before replying: "Well, I expect central Government and local councils think that they will need more accounting staff to help them to work out how best to cut back on employment in other kinds of work." If so, the public sector is merely following the example set by the private sector where marked increases in recruitment of accountants at particular times in the past decade, have been the prelude to extensive dismissals of managers and other kinds of workers.

But the savings of manpower calculated as necessary by the accountants rarely if ever seem to include noticeable redundancies among their own professions, which have consequently acquired a reputation for remarkably high job security. This may well explain the growth of interest in accountancy careers among the nation's young.

Take for instance the number of people known by university careers advisers to have followed graduation by entering training for the chartered branch of the profession. In 1969 the number was 729, or about 4.2 per cent of the total who went directly into all kinds of regular employment in the UK. Last year the number had increased to 2,794, or about 9.6 per cent of the corresponding total.

But the above figures from the universities—which leave out of reckoning large numbers of graduates who have not notified their careers advisers of their subsequent movements—greatly underestimate the annual intake of people into training for the accountancy profession as a whole.

### Intake

The Institute of Chartered Accountants in England and Wales talks of an annual intake of roughly 4,500 trainees, of whom probably 3,000-plus are graduates. Degree-winners doubtless make up at least an equal proportion of approximately 500 more youngsters who annually begin training for the Chartered Institutes respectively of Scotland, and in Ireland. A further 4,500 or so probably set out to qualify with either the Association of Certified Accountants or the Institute of Cost and Management Accountants, many of these after taking up relevant jobs in industry and commerce. In addition, some 500 take up similar work in the public service with a view to qualifying with the Chartered Institute of Public Finance and Accountancy.

Taken together, therefore, the six main bodies' intake of trainees must now account for about 1 per cent of the annual

output of full-time education, or 10 per cent of those who leave education with two passes at GCE Advanced-level or better—which is generally the minimum qualification demanded for initial entry into accountancy training.

Far from all the trainees pass successfully through the examinations of course. But at present pass-rates, it seems reasonable to suppose that the total membership of the UK's major accountancy institutes already numbers about 120,000 and is increasing by roughly 4,000 to 5,000 qualified people a year.

Doubtless this expansion is just cause for uncharacteristic jollity in the professional institutes. Probably, on the evidence of the exceptions from the public-sector curbs on recruitment, the expansion bodes no ill for individuals already qualified or set to do so within the next two or three years. But what are the implications for the job prospects of those who will qualify in the middle to later 1980s when, if rates of entry continue at their current levels, somewhere between two-thirds and three-quarters of accredited accountants will be aged under 45?

For a race of people commonly supposed to look on the darker side, those in the institutes are surprisingly cheerful in their answers to this question. Job prospects for accountants will continue to be buoyant for the next five to six years at least, they believe. And they do, they will probably be right. The management ranks of organisations spanning the world, and they'll not unreasonably prefer to recruit from the same source. Of the 98,000 members of the England and Wales Chartered Institute, for example, over 10,000 are working overseas—1,600 in professional practice and 8,500 in industry and commerce. And I'd expect the international demand to grow in addition to the need for more

senior people at home."

But this confidently expected expansion of demand for people at the higher levels of skill implies a reduced need for qualified staff at junior level, which itself creates a problem of balance tricky enough to tax the most ingenious accountant. For how, given that experience is indispensable to the acquisition of high professional ability, can an increasing need for senior staff be reconciled with a reduced requirement for junior people?

The obvious answer lies in an extension of the minimum period of training required before a student member can become qualified. The Chartered Institute in England and Wales is already tentatively discussing an increase from three to four years in the minimum training period for graduates whose degree-subject is not directly relevant to accountancy. And as the pattern of demand for qualified staff changes over the next few years, one might reasonably expect proposals for extension of the training period required of other types of entrants and by other professional bodies.

This, however, raises an even more difficult problem of balance because any extensions of minimum training would probably have to coincide with a sharp reduction of the number of graduates and Advanced-level school-leavers coming from education, in train of the declining birth-rate. Any accountancy institute which unilaterally lengthened its training period would surely suffer a disadvantage when competing with the other bodies for a smaller supply of potential recruits. But even if all six institutes extended their training periods equally in concert, accountancy would be at a competitive disadvantage in the recruitment market to other professions.

Michael Dixon

Shift

One might expect a shift in auditing practices which could reduce the need for people at lower levels of skill. But for the really well equipped, while straightforward industrial demand will probably be static at best, there will probably be a growth in intake for jobs concerned with the financial aspects of management, in governmental work as well as in business concerns.

"And that growth will probably be on an international scale, which is where the British-trained accountants have a particular advantage. As things are, multi-national groups and the like know that, skill for skill, they can recruit a UK accountant for a good deal less than they'd have to pay for similarly reliable people from most other countries."

"The result of our being a relatively cheap source is that a lot of members of the main UK institutes are moving up the management ranks of organisations spanning the world, and they'll not unreasonably prefer to recruit from the same source. Of the 98,000 members of the England and Wales Chartered Institute, for example, over 10,000 are working overseas—1,600 in professional practice and 8,500 in industry and commerce. And I'd expect the international demand to grow in addition to the need for more

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# Smaller firms are not submerged

WHILE THE growth of big international firms and the struggle of the medium-sized counterparts to keep up have been the dominant themes in recent years, the role of smaller practitioners in accountancy should not be overlooked.

There are at least 12,000 of them dotted around the country—at least that is the number of practices with five or fewer partners according to official estimates. It is, however, unsatisfactory to define smaller practitioners in terms of size alone. Some London firms, for instance, might have only a handful of partners and yet be experts in some specialist field.

Smaller practitioners are best described as those people who deal primarily with the needs of a locality—family businesses, farmers, pubs and shopkeepers—whose work consists mainly of accounts preparation, personal taxation and general financial advice rather than large company audits.

In an age of corporate mergers and centralised administration, small enterprises of all descriptions have been finding the going increasingly tough.

The accountancy profession, however, is an exception to this broad generalisation and it is arguable that the most successful practices are either very big or very small. The outlook for the minnows, in spite of their problems, is surprisingly healthy.

Profits, for instance, are good—thanks to high margins—and demand for their services is strong, while at national level small firms are getting much more recognition than in the past.

### Earnest

The change in attitude started in earnest about four years ago: before then the difficulties of smaller practitioners had been largely ignored. In 1975 the Institute of Chartered Accountants finally responded to criticism that it had neglected the needs of the less mighty. A working party was set up to look into the allegations.

Evidence from the inquiry suggested, among other things, that smaller firms were finding it difficult to train staff and that technical education and publicity were primarily geared to the international firms.

The outcome of the subsequent debate was the establishment of the Smaller Practitioners Advisory Committee (SPAC), consisting of representatives from each of the 21 district societies plus nine small

firm members of the ICA general council.

Nobody pretends that small has suddenly become beautiful but at least this Committee attempts to ensure that the needs and views of smaller practitioners are kept in mind.

The popular idea that smaller firms labour under an unremitting deluge of difficulties is nevertheless refuted by Mr. Peter Dallow, chairman of the SPAC. "Those who think we are surrounded by a ring of problems are perpetuating a myth," he says. "Admittedly, the introduction of VAT brought with it a whole new range of problems but more recently we have had a bit of a respite. Two Companies Bills and Mr. Healey's last Budget was pretty quiet. All in all, the last has not been much significant new legislation in the last couple of years."

This situation may well of course change with the government—changes in capital taxation, for example (Capital Gains Tax and Capital Transfer Tax) will be needed if Mrs. Thatcher's administration is to honour its election pledge.

The reasons for these booming market conditions are difficult to pinpoint. According to Mr. Dallow, the family business, the village greengrocer and the local farmer value the independence and intimacy of the smaller practitioner. Better the local man, they say, than the regional office of a big London firm which might not be particularly sympathetic to their "trivial" problems.

On the other hand, one central London firm, with four partners, attributes its recent record of doubled profits in the last two years to new tax work and a greater demand for book-keeping services. Others draw attention to the ever-widening variety of services which clients require. It seems that we are doing more and more general financial work as well as pure accounting and tax," says one.

Whatever the reasons, which clearly vary from firm to firm, there appears to be plenty of work for everybody. Even in many cases profits merely keep pace with inflation, this achievement is the envy of some.

Not everything, of course, is as rosy as it looks. Apart from the extra understanding which will be required if changes are made to the structure of capital taxation, small firms are finding it increasingly difficult to attract quality staff.

This tends to apply to both the top and bottom ends of a practice. In the old days recruit-

ment was mainly based round school-leavers with a couple of CSE passes, but today something like two-thirds of the student intake to the accountancy profession are graduates. Graduates command a higher price tag—they are generally older and academically better qualified—and for this reason there is growing reluctance on the part of smaller firms to allocate money to training.

This trend has serious implications for the future. Peter Dallow, for instance, wonders where the next generation of partners will come from and believes there may be a "succession problem" in the next few years. "There is a strong reluctance on behalf of many people to move from large firms to small. In any case, if they do, they will probably need to be retrained, since trainees in big firms spend most of their time on audit work," he says.

Smaller practitioners also point to the dilemmas they face in the areas such as ethics and accounting and auditing standards.

One London firm describes the Institute's recent ethical guide as no more than a "minor pin-prick" but its senior partner clearly feels that some of the requirements are unnecessarily irritating. For example, accountants are now not allowed to hold shares in companies they audit, a rule which seems perfectly appropriate in the case of a large publicly quoted concern but which is hardly relevant in a small private company.

Accounting standards are perhaps of greater significance. The debate over current cost accounting has been of particular interest to smaller practitioners who are very concerned that many of their clients will be forced to produce separate inflation accounts. The SPAC has been pressing the Institute to exempt smaller businesses from some of the provisions of ED 24.

Peter Dallow does, however, detect the appearance, in the form of competition from the clearing banks, of at least some threatening storm clouds on the horizon. Smaller practitioners in a number of areas have reported a number of cases where branch banks are offering clients an accountancy service.

For the moment, however, smaller practitioners should see continued demand for their services and further prosperity as a result.

Tim Dickson



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**M.**

**ch.**

**Manchester 7 Charlotte Street.**  
**Tel. 061-228 2406**

**ures, São Paulo, Caracas.**

**COMPANY RESULTS**  
 Final dividends: Geo. Bassett, Edinburgh and General Investments, 10s. 6d.; Henderson & Kenton, 10s.; Imperial Chemicals, 10s.; London and Midland Industries, 4s.; Monk and Company, 8s. 6d. Reckmore, 10s. 6d.  
 Interim dividends: Lincroft, 10s.; Kilmour, 8s. 6d.; SGB Group, 10s.; Park Bernet, 10s. 6d.; Winterbottom Trust, 10s. 6d.

**COMPANY MEETINGS**  
 Belgrave (Blackheath), Plough and Harrow Hotel, Hagley Road, Birmingham, 12. Lament, North British Hotel, Princes Street, Edinburgh, 12. Marks and Spencer, Intercontinental Hotel, 12. Pile, W. 12. Moore O'Ferrall, Brown Hotel, Albion Works, W. 12.

majority. At a stroke, prices in practically every commodity increased by 7 per cent. One only as to go to into each department in our large stores to see the increases, rapidly written by hand, overnight, on the goods displayed.

Many people welcomed the transfer of tax from personal incomes to a "purchasers" tax. The concept of "freedom of

**r insurance**

from Mr. Charles Simmons

Sir,—Recent experience of a surprising defect in the handling of cheques may be of interest

I wrote a cheque for a four

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## Changes in mot

The existing knock-for-knock agreements have meant that insurers who subscribe to them have collectively agreed on a negative course of action vis-à-vis their policyholders. They have chosen not to pursue recoveries against each other,

Sir,—Mr. Mackay's comment on your issue of June 27

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## UK COMPANY NEWS

## £4.5m rise by Mercury Secs.

BOOSTED BY a sharp jump from £0.32m to £2.27m in earnings from metal trading and refining, attributable profits of Mercury Securities advanced from £10.32m to £14.86m for the year ended March 31, 1979.

The result was after tax, minorities and transfer by the main subsidiary, S. G. Warburg and Co. to inner reserves. Profits included a £4.16m (£2.25m) credit for provision for deferred tax no longer required by subsidiaries, and £4.1m from associates.

Earnings per 25p share are shown as 25.13p (18.98p) before the credit, and as 34.91p (24.25p) after. The dividend is lifted from 3.784p to 6p net.

The credit refers to stock relief (or similar overseas tax relief) of the group's metal trading subsidiary, Brandeis, Goldschmidt and Co. whose directors say that, in addition to the £2m released last year, a further £5.55m can be released to reserves having regard to the minimum stock levels, which they envisage on a continuing basis.

At the interim stage, the directors said that profits for the first six months were higher than those for the same period of the previous year.

S. G. Warburg, profits expanded to £13.09m (£9.85m). While metal trading and refining profits showed a sharp increase, its earnings from merchant banking, after transfer to inner reserves, rose from £5.63m to £9.82m, and those from insurance and shipping were up from £0.91m to £1.2m.

Mercury Securities profits of £1.06m (£0.91m) were made up

of employee benefit consultancy, £0.59m (£0.53m), with the balance from other activities.

After minorities, £3.45m (£2.71m), the deferred tax credit, and dividends, which absorb £2.56m (£1.61m), retained surplus emerged ahead from £8.71m to £12.3m.

In addition to the retained balance, disclosed reserves have increased by £1.25m principally due to an adjustment in respect of a change in the basis of valuation of metal stocks in the U.S. subsidiaries of Brandeis, Goldschmidt.

See Lex

## CGSB falls and cuts payment

TAXABLE PROFITS of CGSB Holdings, the motor engineer and distributor, tumbled more than £100,000, and the group is cutting the dividend.

On turnover ahead from £7.9m to £8.35m the surplus fell from £149,800 to £32,400 for the half year ended March 31, 1979. For the previous year pre-tax profits were virtually static at £33,934 (£35,047).

The net interim dividend per 10p share is being cut from 0.44p to 0.2p. The total last year was 1.5912p.

After tax of £16,800 (£30,500) stated earnings per share are shown to be down from 1.87p to 0.34p.

INCLUDING PROPERTY disposal profits of £395,000 against £40,000, taxable surplus of Courts (Furnishers) finished the March 31, 1979, year ahead by £1m at a record £5.89m. Turnover, including VAT, rose from £47.1m to £49.1m.

The directors state that overseas turnover, in the current year, has been at a higher level than the corresponding period last year. In the UK the VAT change led to exceptionally increased business, they add, although sales, even prior to the Budget, had shown an increase on the comparative period.

At the interim stage profits had risen from £1.9m to £2.77m. After the year's tax charge of £3.68m, compared with £2.28m earnings are shown as 21.3p per 25p share against a previous 18.18p.

The dividend is stepped up to 3.70233p (3.5468p) net with a final payment of 1.99018p, and a one-for-two scrip issue is proposed.

Also announced is an additional dividend for the year of 1p. It is intended to maintain the dividend per share on the increased capital.

Turnover (inc. VAT) 49,067 47,102  
Prop. disposals 356 40  
Profit before tax 5,284 4,823  
Less: minority interest 254 254  
Net profit 5,030 4,569  
Exchange losses 80 96  
Minority interests 192 250  
Available 5,238 4,223  
Dividends 2,342 1,747  
Returned 2,896 2,476

UK results were adversely affected in the last quarter by the bad weather conditions, the directors state.

They add that overseas earnings were reduced as a result of the strength of sterling. But for the movements in exchange parties, turnover and profits for the year would have been £51.95m and £6.51m respectively.

New stores were added in the UK during the year, and extensions to existing stores and relocations took place. Since the end of the year a new store has been added; further conservative expansion is anticipated in the UK and overseas, the directors state.

Courts has surged off the £4.9m profit plateau on which it has

## HIGHLIGHTS

Lex looks at the full-year figures from Mercury Securities. Profits-growth appears impressive and news of the hefty dividend rise helped boost the shares by 11p to 172p. Beecham's annual report comes in line with the market where the long tap was activity in the gilt-edged market where almost three points were noted in parts. Elsewhere, Heywood Williams has achieved its forecast despite the winter's problems, and Courts has produced reasonable growth after stripping out property disposals and adjusting for the distortion of deferred profit transfers.

languished for the past two years. The latest figure does include a bigger than usual contribution from property sales but the transfer from the deferred HLP. Account (which inflated the first half figures by £380,000) was almost matched in the second half by a transfer to the account. Stripping out both influences suggests an underlying trading profit improvement of around 13 per cent. Courts, like most

retailers, was hit by the poor January sales and the sluggish recovery in February and March. Also the strengthening pound has not helped the conversion of overseas profits into sterling on consolidation. The dividend is up by around a third and a further increase will come next year from the proposed scrip issue. The shares, at 142p, have a fully taxed p/e of 7.5 and a yield of 4.8 per cent.

## Beecham emerging as major U.S. force

Beecham Group is now well on the way to becoming a major force in pharmaceutical and consumer products markets in the U.S. "The importance of this can scarcely be exaggerated," says Mr. G. J. Wilkins, the chairman.

Out of £923m (£838m) sales and £146.4m (£142.5m) trading profit in 1978-79, North and South America accounted for £165m (£163m) and £18.9m (£21.7m) respectively. Capital spending in the region was £2.6m against £3m out of a total of £48.3m (£41.5m).

In the current year speeding in the U.S. will include significant advertising and promotional cost of launching Aqua-fresh toothpaste nationally. The group's results for the year to March 31, 1979, when taxable profit was up from a restated £139.4m to £144m, illustrates the wisdom of giving as much attention and emphasis to expansion of consumer products business as to the growth of pharmaceuticals, says Mr. Wilkins.

Although it made good progress in most parts of the world, Beecham Pharmaceuticals encountered problems outside its control in some markets which largely neutralised its achievements in others. In consequence trading surplus on pharmaceuticals was only modestly high and, after exchange rate movements showed a decline from £86.9m to £84.3m. This fall was more than offset by the advance by Beecham products.

With consumer product sales up at £899m (£828m) trading profit reached £54.9m (£47.3m). Analyses on a geographical basis sales and trading profit shows: UK £308.9m (£289.5m) and £31.7m (£28m); Western Europe £280.4m (£264.6m) and £49.5m (£50m); North and South America £165.1m (£163.1m) and £18.9m (£21.7m); and other areas £188.7m (£150.9m) and £39.1m (£36.5m). Plus £7.2m (£8.3m) royalty income.

Last August, as known, the group bought Scott and Bowne, an unlisted UK consumer products company, for £14m cash from its own resources. The rights issue in November raised £79.5m which helped raise net liquid funds by £51.1m to £135.1m at year end. Loans were reduced by a net amount of £26.9m to £132.3m, mainly due to reclassification of £19.6m as short-term borrowings which were ahead from £7.5m to £26m.

Beecham Inc. arranged a private note placement of U.S.\$85m in the U.S. which was guaranteed by the group. \$19.5m of the placement was received in December 1978, and the balance will be received in

ISSUE NEWS  
Grand Metropolitan 90% taken up

Shareholders in Grand Metropolitan have taken up nearly 90 per cent of the £50.5m cash call made last month.

S. G. Warburg and Co., the underwriters, announced late last night that acceptances were received in respect of 57.27m new ordinary shares of 50p each, representing 89.8 per cent of the new shares offered on the basis of one-for-seven at 126p each.

The rights issue is the largest so far this year. Grand Metropolitan's last rights issue was in October, 1975, when shareholders were asked to put up £27m.

The new ordinary shares not taken up have been sold at a premium. The net proceeds (estimated to be 10.7p per share after deduction of the issue price and expense of sale) will be allotted to the persons to whom the new ordinary shares were provisionally allotted, save that where such net proceeds in respect of any one holding amount to less than £1 they will be retained for the benefit of the company.

## FAIRLINE

Shares of Fairline Boats, the Northampton-based manufacturer of motor cruisers, reached 102p when dealings started yesterday—a premium of 27.5 per cent on last week's placing price of 80p.

The price had earlier opened at 98p but, after peaking at 102p, it settled back to end the day at 98p, which values the company at around £3.4m.

A total of 35 per cent of the company's shares were placed. Jobbers said yesterday there was a good institutional following for the shares, for which there was "a fair amount of demand."

## SCOTCROS

Scotcros announces that the rights issue of 1,749,138 new ordinary shares has been accepted in respect of 1,652,098 (94.45 per cent).

BIRMINGHAM  
District Council  
Floating Rate  
Stock 1983/85

for the six months from 3rd January, 1979 to 3rd July, 1980  
the interest rate on the above stock will be £14.406375 per annum.  
Morgan Grenfell & Co. Limited.

## Heywood Williams meets forecast with 91% leap

WITH A 91 per cent leap in pre-tax profits from £541,000 to a record £1,032,000 for the year ended April 30, 1979, Heywood Williams Group is in line with the directors' forecast of around £1m made at the interim stage and later reaffirmed in April. The midway result was more than doubled from £181,000 to £372,000.

Mr. Douglas Oliphant, executive chairman, expresses confidence about the future despite the many problems of the current economic climate. He says it is no easy task to make a quantified profit forecast for this year, but early returns from the group's operating units are encouraging.

However, he is certain of another record profit in 1979-80, representing an increase in earnings per share coupled with an improved asset backing—and a higher dividend.

For the year under review, adjusted for the subdivision from 50p shares into 25p shares, stated earnings jumped by 53 per cent from 8.5p to 12.9p, and the net dividend total if lifted to 3.46p (2.948p), covered over three times, with a 2.45p final.

The chairman adds that the group is looking for a considerable increase in results this year. On the trading front, he says internal budgets have been set very substantially above last year's figures.

But for the bad winter weather and the impact of secondary picketing as a result of the road haulage strike, the group's profits would have been even higher. In overall terms, estimates Mr. Oliphant, these two factors have cost around £200,000 in profits.

Last year's bid moves in the U.S. took the group into restaurants and hotel management, but for the time, acquisitions are now more likely to be in the UK.

The group, which has tax losses of some £3.1m on the home front to carry forward, is not only looking to add to its existing businesses but also prepared again to move into new areas.

Mr. Oliphant says the group

will be looking for a business with minimum profits before tax of some £250,000. Meanwhile, capital spending this year is likely to come out close to £2m.

A geographical and divisional breakdown of turnover—up 24 per cent to £21.2m—and taxable profits shows, with 5,000's of products, products for building industry in aluminium and glass, £14,897 (£14,436) and £223 (£202); U.S.—restaurants and hotel management, £4,537 (£4,111) and £366 (£311); South Africa—operating units sold April 1979, £1,963 (£2,636) and £37 loss (£61 loss).

Major profit contributors in the UK were aluminium extrusion, patent glazing and glass merchandising. The Apollo window activity turned a loss last year into a "reasonable" profit for the future.

In the past year, the group has doubled its extrusion capacity, ordered a new, expanding plant to come on stream in October, 1979, extended its glass ware house floor space by 25 per cent, opened four new home improvement shops and launched a variety of new or improved product lines. It recently purchased a sealed glass unit manufacturer in Scotland.

Initial contribution from the U.S. in restaurants and hotel management has been satisfactory, and the chairman says the purchase of two additional businesses make the future look bright.

These two businesses comprise: Mr. Drumstick, a chain of ten family restaurants in small towns in South Illinois, and Budget Motels and Hotels of America Inc., which operates a booking and supply service for over 700 hotels.

The South African operation was sold apart from tenanted properties and retained cash which will ensure a small profit from this source in the future. The group now has no employees in South Africa.

Tax for the year took £189,000 (£20,000) and there were extraordinary debts of £222,000 this

time. Payments absorb £225,000 (£128,000), leaving the relative balance little changed at £416,000 against £411,000.

On the balance sheet, shareholders' funds were up by 24 per cent to £4.7m. Borrowings, loans, other than capitalising of lease commitments, have fallen by £465,000 or 29 per cent to £2.39m to £2.16m. But net current assets decreased from £2.89m to £1.47m.

At the year-end, directors' present and former employees held 24 per cent of the equity and British Aluminium and Prudential Assurance held 9.9 per cent and 5.8 per cent respectively.

comment  
Heywood Williams has achieved its forecast in spite of weather, problems and the driver's strike during January. February, factors which probably trimmed back profits around £3.2m for the year. Management over the past few years is paying off, handsomely. Apart from the closure of the troubled architectural production division, HW has now sold off the loss-making South African investment, returned the Apollo window activity to the bank and diversified into the U.S. with three potentially fertile acquisitions. One of them, a hotel management company, was actively bought for nothing by HW assuming liabilities of £0.7m, as return for income-producing assets worth \$5m, a deal made possible by U.S. tax laws. At some, the important aluminium extrusion business is coming through strongly on the back of higher demand and the new capacity, made possible by the new £0.7m, Chester Press. The only headache on the horizon is the expected sharp increase in the price of aluminium mill and glass, which will undoubtedly affect demand. The shares rose 9p yesterday to 12.9p where the p/e is 4.5 and the yield 4.5 per cent—a ratio which does not appear to have discounted the expected growth.

## Wilkinson Match soundly based for longer-term growth

Although profits in the current half year are expected to be lower than last time, in the longer term Wilkinson Match has a sound business with good prospects for growth worldwide, and is well placed to take advantage of favourable changes in the world economic situation, says Mr. D. Randolph, the chairman, in his annual statement.

As reported June 22, despite a difficult year taxable profits rose 33 per cent from £14.3m to £19m for the 13 months ended March 31, 1979, on turnover of £27.2m (£19.9m). However, the chairman warns that the problems of last year's second half are persisting.

On a current cost basis, pre-tax profits emerged at £12.39m against £10.05m, after additional depreciation of £3.14m (£2.13m), cost of sales £8.48m (£5.79m), partly offset by a £3m (£1.67m) gearing adjustment.

Because of the seasonal nature of its business, consequent upon recent changes, the group is to alter its year-end from March 31 to September 30, and accordingly

the next accounting period will be for the 18 months to September 30, 1980.

At March 31, 1979, group fixed assets were up from £60.88m to £78.28m and net current assets increased from £36.38m to £66.49m. Bank loans and overdrafts were higher at £17.56m (£13.49m).

There was a net inflow of funds of £1.83m compared with a £6.12m outflow a year earlier. Meeting, The Institute of Directors, SW, July 26, 11.30 am.

Glanfield  
Lawrence

A turnaround from a loss of £15,000 to a taxable profit of £40,000 in the half-year to April 1, 1979, is reported by Glanfield Lawrence, motor vehicle distributor and engineer.

Profits were struck off £115,000 against £73,000. Turnover, excluding tax, rose from £4.28m to £5.21m.

Despite these problems, all divisions have traded in line with the profit forecast, and the directors believe the company is now well placed to take advantage of the hoped-for easing in supply and better trading conditions during the summer.

After tax for the half-year of £33,000 (£2,000 credit), there was a profit of £17,000 compared with a loss of £7,000. Last year's dividend was maintained at 1.25p.

## The Continental and Industrial Trust Limited

and its Subsidiaries

(Managed by J. Henry Schroder Wagg &amp; Co. Limited)

The Annual General Meeting will be held at 120 Cheapside, London, EC2V 6DS on Wednesday 25 July 1979 at 12.30 p.m.

## Details from the Report and Accounts for the year ended 31 May 1979

	1979	1978
Total Revenue	2,882,317	2,473,720
Less: Expenses	180,766	137,265
Interest	775,038	516,860
Net Revenue before taxation	1,926,513	1,819,595
Less: Taxation	692,510	654,270
Preference Dividend	36,500	38,500
Net Revenue available for Ordinary Dividend	£1,212,503	£1,126,825
Earned on Ordinary Shares	7.21p	6.65p
Ordinary Dividend paid (net)	7.20p	6.40p
Net Assets attributable to:		
Currency Loans	£'000	£'000
Debtenture Stocks	3,811	4,106
Preference Shares	3,992	3,998
Ordinary Shares	1,000	1,000
Total Net Assets	58,965	53,050
Net asset value per 25p Ordinary Share	286.1p	259.4p

Copies of the Report and Accounts are available from the Secretaries,  
J. Henry Schroder Wagg & Co. Limited, 48 St. Martin's Lane, London, WC2N 4EJ.

## Citicorp Overseas Finance Corporation Limited

(Incorporated with limited liability in the British Virgin Islands)

U.S. \$100,000,000 6½% Guaranteed Notes Due 1980  
U.S. \$200,000,000 7% Guaranteed Notes Due 1981

Unconditionally guaranteed by



Citicorp Overseas Finance Corporation Limited (the "Company") has assumed the obligations of Citicorp Overseas Finance Corporation N.V. ("COFC"), effective July 2, 1979, in respect of the 6½% Guaranteed Notes Due 1980 and the 7% Guaranteed Notes Due 1981 (the "Notes") issued by COFC under a Fiscal Agency Agreement (the "Fiscal Agency Agreement") dated as of October 15, 1977 among COFC, Citicorp and Citibank, N.A. The assumption was made pursuant to Paragraph 7 of the Notes by Amendment No. 1, dated as of July 2, 1979, to the Fiscal Agency Agreement.

New Note certificates will not be issued to reflect the assumption by the Company, and the Guarantee of Citicorp will remain in effect. The Notes Due 1980 and Notes Due 1981, as obligations of the Company, have been admitted to the Official List of the Stock Exchange.

Particulars of the Notes are available in the Extel Statistical Service and may be obtained during usual business hours up to and including July 17, 1979 from:

Cazenove & Co.,  
12 Tokenhouse Yard,  
London EC2R 7AN

July 3, 1979

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## Norcross Limited

## A year of growth

JOHN V. SHEFFIELD, CHAIRMAN, REPORTS:

- Group pre-tax profits a record
- Group margins improve again
- Capital expenditure at all time high

Financial summary of the year to March 31st, 1979:

	1979 £'000	1978 £'000
Group sales up 8% (Including share of associate companies' sales)	212,565	196,543
United Kingdom sales up 15%	146,300	126,290
Overseas companies sales up 25%	32,138	25,790
Capital expenditure up 29%	8,239	6,367
Pre-tax surplus up 18%	17,168	14,512

Dividend per Ordinary Share 4.93p 4.42p

The Annual General Meeting will be held  
on 23rd July 1979.

Copies of the Report and Accounts are  
available from

The Company Secretary, Norcross Limited,  
Reading Bridge House, Reading, RG1 1GP.



## UK COMPANY NEWS

## Sutcliffe £0.41m deficit after Middle East costs

AS FORESEEN last December, the unsettled situation in the Middle East and elsewhere in the oil-producing area adversely affected Sutcliffe's profits.

After £700,000 costs against engineering contracts in the Middle East, the group finished the March 31, 1979, year with a deficit of £410,000 compared with a £400,000 profit last year.

The current dividend, however, continued its upward trend. Turnover fell from £2.5m to £2.4m and the directors are aware that the final dividend for the year is £1.314p (23.54p) per share.

The directors say the £400,000 deficit, which includes provision for the estimated expenditure required to overcome the difficulties together with the cost of the year's operations, has been written off as abnormal costs.

At the year-end, the directors reported a profit of £122,000 but said that a fall in the price of plant sales, coupled with the cost of problems in the Middle East, would adversely affect the second-half results.

Pre-tax figure was £103,000 (£116,000) but was before a tax credit of £13,000.

## Chamberlin and Hill outlook satisfactory

Despite reasonable demand for machinery products at Chamberlin and Hill, there has been a sharp fall in order intake from one specialised market sector at its Lichfield works. As a result activity there has been cut back and short time working introduced.

Says Mr. T. Martin, the chairman, "Every effort is being made to introduce new types of work to make good the shortfall, but the problems are likely to remain for several months of the new financial year, due to the length of time needed to effect the necessary changes."

Nevertheless, the outlook is satisfactory and the prospects for improvement in the foundry activity are good, he adds.

On the non-foundry side, the group has considerably strengthened its activities in the electrical engineering field by the acquisition, in February, of Solenoids and Regulators. This new subsidiary is expected to make a substantial contribution to profits in the current year.

For the first six months of 1979, the profit of NCR subsidiary of NCR Corporation of U.S. rose from £2.7m to £4.53m on turnover of £37.6m against £33.08m.

The increases are mainly due to the improvement in incoming orders following the release of several new products.

Exports for the first half show a 45 per cent increase over the corresponding period last year, the directors state.

## NCR profits rise mid-way

For the first six months of 1979, the profit of NCR subsidiary of NCR Corporation of U.S. rose from £2.7m to £4.53m on turnover of £37.6m against £33.08m.

The increases are mainly due to the improvement in incoming orders following the release of several new products.

Exports for the first half show a 45 per cent increase over the corresponding period last year, the directors state.

## Braby Leslie Ltd

Manufacturers of drums, storage vessels, process plant and special fabrications for the petro-chemical, process and brewing industries, diesel generating sets, aircraft ground support equipment, domestic products and civil engineering.

	Year to 31st March	1979	1978
	£000	£000	
Turnover	31,630	31,376	
Profit before Taxation	2,991	2,390	
Taxation	512	383	
Extraordinary items	1,579	2,007	
—profit on sale of Tans' Loop Quarries Ltd.	323	—	
Net profit attributable to shareholders	1,902	2,014	
"Gross" dividend per share	7.2835p	6.6257p	
Earnings per share	15.6p	19.8p	
Net tangible assets per share	88.4p	74.7p	

The Group had a satisfactory year, producing a pre-tax profit higher than in any year other than 1977-78, in spite of the poor business climate.

The reduction was due to a downturn of approximately £500,000 in the profit of S. Briggs & Co. Ltd., caused by intense competition and a decrease in orders for brewing equipment.

Most subsidiaries produced good, and in the case of Deside Metal, Edgill, Economic Gas and George Leslie, record results, despite some order books being lower throughout the year.

Auto Diesels achieved an excellent result with exports of 51% in a smaller export market, while in the U.K. its share of the generating set market increased against severe competition.

Braby Liverpool could have achieved record results but for the road hauliers' strike.

The Board looks to the future with cautious optimism, despite some anxiety concerning the steady rise in the rate of inflation and the world energy situation.

Copies of the Report and Accounts may be obtained from The Secretary, Braby Leslie Limited, Cowley Mill Road, Uxbridge, Middlesex UB8 2QG.

## TESCO

## Checks in with Record Net Profit of £37.7m



Mr. L. Porter Ph.D. (Hons) Chairman

The net profit this year was the highest ever, increasing by £9.1m to £37.662m.

Turnover: Sales broke all records and increased by £257m to £1,236m. This confirms, after allowing for inflation, a volume increase in excess of 15% and continuing growth in market share.

Dividend: Final Dividend is increased by maximum permitted by Treasury, from 0.9233p to 1.1939p.

Store Development Programme: During 1979/80 it is planned to open a further sixteen stores, which together with major extensions will increase selling area by over 500,000 sq. ft. A most notable extension is at Weston Favell which will create a sales area of 96,500 sq. ft. on one floor making it the largest superstore in the group.

Energy Savings: Savings this year should exceed £1m, roughly 10% of previous cost. Further economies are planned.

Future Prospects: The current level of trading is progressing favourably and your Board anticipate that this year will again prove to be one of record profitability. The Tesco 'Checkout' Credit Card will be adding an exciting innovation to the groups trading operations.

**TESCO** means real value for shoppers, staff and shareholders

1977/78 £28,562m	31.86% Net Profit Increase. 1978/79 £37.662m
1977/78 £979.3m	26.20% Turnover Increase. 1978/79 £1,235.9m
1977/78 0.9233p	29.31% Final Dividend Increase. 1978/79 1.1939p

Copies of the Annual Report and Accounts available from the Secretary, Tesco Stores (Holdings) Ltd., Tesco House, Delamare Road, Cheshunt, Waltham Cross, Herts, EN8 9SL.

## Three life assurance companies increase terminal bonus rates

Three leading life companies have announced improvements in their terminal bonus rates, payable on death or maturity claims as from July 1.

The General Medical and General Life Assurance Society has lifted its rate from 20 per cent to 25 per cent of the basic sum assured for each policy year with a proportionate addition for an uncompleted year.

The company has also doubled its terminal bonus rate on personal pension contracts to 1 per cent of the nominal fund and increased its open market option from 98 per cent to 100 per cent of the nominal fund.

The Norwich Union Insurance Group operates a complex terminal bonus system with rates depending on the year a policy was taken out. The new scale, based on each £1,000 of basic sum assured, ranges from 10 per cent for a policy taken out in 1973 to 25 per cent for one taken out in 1992 or earlier. The previous scale ranged from 10 to 25 per cent respectively.

A policyholder now aged 54 who took out a 25-year endowment in 1964 for a premium of £18 per month would receive £5,716 at maturity on the new rates, against £3,521 on the old rates.

Both companies say this latest increase reflects the improved returns on the investments and the underlying firmness of the equity market. By adjusting the terminal bonus rates, this benefit

is passed on to the policyholders whose contracts are about to mature. The Norwich Union last increased its rates at the beginning of the year, but the CMO previously lifted its rate in the middle of 1977.

The Scottish Widows' Fund and Life Assurance Society also operates a complex bonus system depending on the year the policy was effected. The new scale varies from 25 per cent for 1969 to 28 per cent for 1980 or earlier, the rates being applied to the basic sum assured and attaching bonuses.

The previous scale ranged from 3 per cent to 28 per cent. However, the changes in rates for intervening years is not uniform. The largest increase occurs for years of entry 1969 where the new rate is 17 per cent compared with 14 per cent.

## Staveley borrowings rise but within gearing levels

There was an increase in the level of working capital at Staveley Industries in the year to March 31, 1979, Mr. Harry Moore, chairman, says in his annual statement. This was due to the continuing growth in turnover and a deterioration in trading conditions and terms of payment in some of the group's business areas.

The latter trend is unlikely to be so pronounced in the current year, he adds. As a result, the group's borrowings rose substantially compared with the exceptionally low level last time. "They are, however, still well within levels of gearing which we consider to be comfortable," the chairman says.

The borrowings cover the tax reserve certificates which have so far yielded about 5 per

cent more than their cost. Even disregarding this and other investments, the chairman says, the group has ample resources available for internal growth and further acquisition and for a continuation of the capital investment programme.

Overall, the group does not expect trading during the current year to change very significantly.

As reported on June 15, profits in the year to March 31, 1979, were £11.25m, compared with £15.02m for the previous 18 months, annualised to £10.01m.

The chairman expects a further increase in turnover and profit in the current year, mainly in the second half.

Of the foundry products and abrasive group, he expects a marked recovery from the set-

back in the year just passed, when profits fell from an annualised £2.5m to £1.2m.

He is confident of significant growth in business and profitability at the electrical and mechanical services group, particularly during the second half.

The machine tools and engineering group is expected to produce satisfactory results, while the progress and growth of the Satter group is likely to continue.

Significant profit growth is anticipated from North American operations, through expansion in Electroscop's profits and the continuing improvement likely to the profitability of the Canadian operations.

Meeting, 12, Great George Street, SW, July 24 at noon.

## The Monks Investment Trust Limited

Summary of Results for year to 30th April	1979	1978
Total Net Assets at Market Value	£68,564,673	£59,079,814
Ordinary Shares:		
Asset Value	74.4p	68.2p
Earnings	1.90p	1.68p
Dividend	1.85p	1.60p
Geographical Distribution of Investments	%	%
Equities: United Kingdom	50.8	42.4
United States	22.3	33.0
Japan & S.E. Asia	3.5	4.8
Other Countries	7.8	2.8
Total Equities	78.4	83.0
Foreign loan backing	13.1	7.6
E.E.C. Bonds	3.5	—
Deposits and other Fixed Interest	5.9	9.4

Excerpts from the Statement by the Chairman, Mr. Michael Hamilton:

● Earnings per share rose from 1.68p to 1.90p and we are recommending a dividend of 1.85p. This is 15% more than last year's dividend and means that the increases in dividend both this year and last year have been in excess of the prevailing rates of inflation, giving shareholders a higher income in real terms.

● The asset value per share rose to a new high level of 74.4p reflecting a substantial rise in the U.K. equity market and a fall in Sterling terms in the U.S. market.

● Concerned at the high level of the Dollar Premium, we sold \$9.4 million Premium Dollars realising on average a premium of 46% on an exchange rate of \$1.94 compared with a premium of 24% on an exchange rate of \$2.06 at the year-end. The Accounts thus show that the premium currency content of the total assets has fallen to 3.3% compared with 11.2% the year previously.

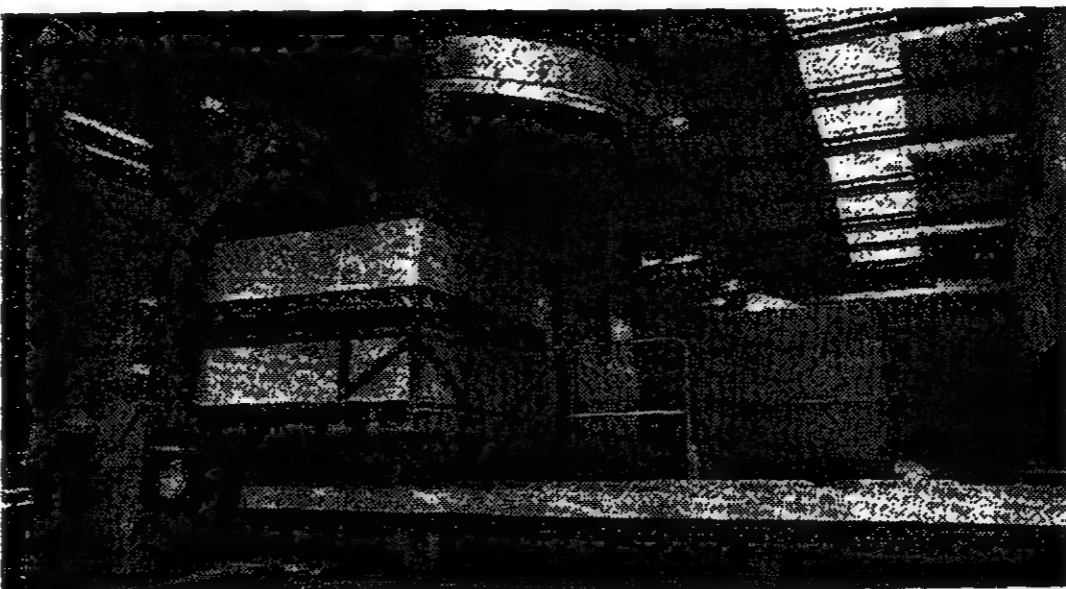
The Monks Investment Trust is fifty years old this year and a brief account of its history and investment objective is given in the Annual Report.

Copies of the Annual Report may be obtained from

Baillie Gifford & Co.

3 Glerpholas Street, Edinburgh, EH3 6YY.

## Further constructive moves from Turner &amp; Newall



£4 million investment in lightweight concrete building blocks



£3 million construction materials plant modernisation includes development of glass-reinforced board



£8 million investment in specialised glass fibre insulation materials

Last year we put £4m into new plant producing high quality construction materials — lightweight concrete building blocks.

We have started a £3m modernisation of three of our UK asbestos-cement plants, and are doubling capacity in our two Nigerian plants.

Our £8m development for the manufacture of 'Envoy' glass fibre — a new range of special insulation products for the building industry — is on stream this year.

T&N has been a major force in construction and insulation materials for decades.

Now we're making sure that the future — with its urgent requirement for energy conservation in industry and the home — will be equally productive for us.

Construction materials is just one of the businesses in which T&N is making its mark internationally.

We are actively investing and growing in automotive components, plastics, specialty chemicals and man-made fibres, in addition to mining asbestos.

T&N has evolved at such a rate recently that your view of us may be rather out of date.

Why not correct that now, by writing for our corporate brochure?

**TURNER & NEWALL LIMITED**

Providing what the future needs

To: Public Relations Dept., Turner & Newall Ltd., 20 St. Mary's Parsonage, Manchester M3 2NL.

Please send me a copy of your corporate brochure and/or Report & Accounts

Name \_\_\_\_\_

Address \_\_\_\_\_

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	1979	1978
Profit disclosed, before investment gains and extraordinary items (including an exceptional credit of £1,035,000)	£7,116,000	£4,994,000
Earnings per 25p share before investment gains	33.64p	23.55p
Dividends paid and proposed Amount (net of tax credit)	£2,340,000	£2,063,000
Rate per 25p share	10.924p	9.60925p
Covered by total available profits	5.15 times	4.37 times
Shareholders' funds, excluding inner reserves of banking companies	£76,321,000	£64,948,000
Increase of market value over carrying value of investments in Hambro Life Assurance and Berkeley Hambro Property Company	£41,000,000	£20,000,000

## A YEAR OF SUBSTANTIAL ALL-ROUND PROGRESS

Mr. Jocelyn Hambro, M.C., reports on the Hambros Bank Group

This has been a year of substantial all-round progress.

After reporting lower earnings for the first half-year, the second half showed an improvement which has brought the full year's results well above those of last year. The improvement was throughout the whole of our business but particularly in banking, in unit trust operations and in investment performance. Our share of associated companies' profits has also increased particularly from Hambro Life Assurance and Berkeley Hambro Property Company.

Attributable operating profit after tax was £7,116,000 against £4,994,000 last year. After investment gains and extraordinary items the total profit has risen to £11,884,000. Dividends are covered five times and are 10% above, both at interim and recommended final, those of last year.

Shareholders' funds have advanced from £65 million to £76 million. Also, at 31st March 1979, there was an additional excess of £41 million of market value over the balance sheet carrying values of our listed associated companies—again Hambro Life Assurance and Berkeley Hambro Property Company.

### HAMBROS BANK

Last year we drew on inner reserves towards shipping loan provisions. This year, as existing provisions are already adequate, inner reserves have been increased. A gradual improvement has taken place in bulk shipping markets with improvements in charter rates and in market values, but these will have to be sustained before the shipping industry can be said to have recovered.

Acceptances reached a new peak of £274 million, while the figure for assets leased, on our own account and under management, rose to more than £200 million. Customer loans and advances fell slightly, chiefly because of the translation of dollar loans at the higher sterling rate. We were active in the management of new bond issues and in the syndication of euro-currency loans.

Managed investments, especially for pension funds, grew substantially. Our 21 authorised unit trusts at the year end had an aggregate market value in excess of £350 million.

Fee income from corporate finance activities was slightly down on the previous year, but at the year-end the level of activity was greater than at any time during the preceding twelve months.

Since the year end we have announced an offer for the share capital of Collett, Dickenson, Pearce International Limited, a leading U.K. advertising agency, through a subsidiary in which we will hold 75% and the Management of the agency, 25%. This offer has now become unconditional.

The Group's own investments produced the substantial gain of £2,293,000. Many of these investments are in smaller companies

but we found new opportunities hard to come by, as competition intensified from other institutions who have entered the venture capital field.

### OVERSEAS INTERESTS

Our Channel Islands' banks continued their well established growth. The progress of Hambro Pacific and Hambro Australia reinforced our faith in these companies and in the areas in which they operate.

Since the year end we have increased the capital invested in Hambro America Inc. where we are developing a profitable investment and advisory business.

### HAMBRO LIFE ASSURANCE

The remarkable progress of Hambro Life continued throughout 1978. They have since reported that new business in the first quarter of 1979 is running substantially ahead of the corresponding period in 1978. Hambro Life's dividend was increased by 17.7% above that of last year as profit cover had increased by an equivalent amount above the best previous year.

### Consolidated Financial Statement at 31st March 1979

	1979	1978
Share capital and reserves	76,321	64,948
Minority interest	2,781	1,552
Loan capital	41,636	47,882
	120,741	114,382
Current, deposit and other accounts	1,116,415	1,041,785
Acceptances for customers	274,967	257,960
Deferred taxation	11,044	8,092
Proposed dividends	1,436	1,251
	£1,524,363	£1,423,470
Balances with bankers and money at call	196,421	221,362
Term loans to banks, local authorities and certificates of deposit	457,685	356,263
Dealing securities	13,991	9,088
Trading stocks	25,549	15,258
Loans, advances and other accounts	504,984	504,122
Customers' liabilities for acceptances	274,607	257,960
Investments	45,692	54,389
Fixed assets	5,314	5,038
	£1,524,363	£1,423,470

### THE OUTLOOK

The ever-increasing price of oil makes one hesitant about the prospects for the future growth of world trade. Our new Government, however, has sounded a clarion call to the nation by its budget proposals. We are confident that it will be answered by all sections of trade and industry which makes us hopeful of continuing improvement in our own business.

Copies of the Annual Report can be obtained from The Secretary, Hambros Limited, 41 Bishopsgate, London EC2P 2AA.



# Hambros

## Companies and Markets

## UK COMPANY NEWS

### MINING NEWS

## Anoconda studies \$1.5bn Chile copper mine

BY KENNETH MARSTON, MINING EDITOR

HEADING the latest news from the transatlantic mining companies is America's *Anoconda* copper giant which is now taking a closer look at the huge Pelambres copper mine in northern Chile. The mine has ore reserves of an estimated 430m tonnes.

According to the Chilean Foreign Investment Commission, *Anoconda* will invest U.S.\$1.5bn (£888m) in the exploitation of Pelambres if geological studies prove its feasibility. Spokesmen for *Anoconda* are reported as saying that the company will invest \$12m in the preliminary stages.

Pelambres, which is situated 340 km north-east of Santiago, was purchased by *Anoconda* last month for \$20m.

Until recently *Anoconda* has been developing the big Sar Cheshmeh copper deposit in Iran on a contract basis. But, like many other ventures in that country, work has halted since the revolution and last month it reported that Iran had cancelled its contract with *Anoconda*.

From Canada, *Northgate* Exploration, which also has interests in Ireland and Australia, says that barring any unforeseen interruptions to production its net income this year

should be "well in excess" of C\$6m (£2.36m), the best since 1973. Last year there was a net profit of only C\$458,000. Earnings for the first half of this year are estimated at C\$3.64m.

*Northgate's* president, Mr. G. T. Smith—who has taken over the office from Mr. Pat Hughes upon the latter's appointment as chairman—said at the Toronto meeting that *Northgate* is broadening its prospecting activities. These now include uranium, strategic and precious metals together with oil and gas in addition to the traditional search for lead, zinc and copper.

This year's spending by the *Northgate* group on mineral exploration is expected to rise to C\$4.3m. While in need of new earnings sources, *Northgate* is well supplied with funds, the cash position including working capital being over C\$6m. Mr. Smith put the group's total assets at around C\$64m, or C\$9.30 per share.

Canadian partners, *International Mogul Mines*, *Lacana Mining*, *Mayrock Resources* and *United Silver Mines*, reckon to have their U.S.\$10.5m *Pinebush* gold venture in Nevada in production by late 1980 at a milling rate of 1,000 tons a day. Open-cut ore reserves are put at

1.4m tons averaging 0.18 oz gold per ton plus a further 3m tons grading 0.08 oz.

Reflecting the return to higher earnings, Canada's *Sherritt Gordon Mines* has raised its semi-annual dividend to 40 cents payable July 23. A total of 50 cents was paid for 1978 and 15 cents for 1977.

Mining exploration expenditure in British Columbia is expected to hit a record C\$61.5m this year, according to a survey conducted by the British Columbia and Yukon Chamber of Mines. Mining exploration spending in Yukon Territory is forecast at C\$19.1m, an increase of 7.9 per cent on 1978.

## Bett Bros. set to make second half recovery

PRE-TAX profits of Bett Brothers, building and public work contractor, fell from £1.07m to £868,149 for the half-year ended February 28 1979, on turnover down from £18.2m to £9.41m. But the directors say that for the full year, turnover and profits should be in the region of £20m and £2.2m respectively for the previous year, profits had declined from a record £2.88m in £2.04m, on turnover of £20.52m (£19.42m). The net interim dividend increased to 1p net per 20p share compared with 0.70p last year's final payment was £133,000. Net profits for the first half came out at £418,712 against £713,645 after tax, higher at £451,437 (£356,451).

## William Pickles Reorganisational programme well under way

"I cannot promise you a substantial increase in profit in the current year when so much change is occurring but I have great faith that given a reasonable economic climate, 1980 will herald a vast improvement in our fortunes."

Denis S. Greensmith

The Annual General Meeting of the Company was held in Manchester yesterday. The following are extracts from the statement by the Chairman, Mr. Denis S. Greensmith, submitted to the meeting.

Our Company experienced a thoroughly bad trading year in 1978 and although one can say quite truthfully that it was not a good year for textiles in general, it was certainly a particularly bad year for those involved in the manufacture of light clothing. During the year imports in certain sections of this area of textiles had reached a penetration level of 72%, and although the new Multi Fibre arrangement had been implemented, it was too late for any effectiveness to have influenced the trading pattern in that year.

Also there was a certain level of interruption in our programmes due to industrial disputes and that the strengthening of sterling undoubtedly reduced our export sales.

Faced with deteriorating profits I felt that additional fundamental changes were called for. The necessary research and development work was undertaken by a Sub-Committee of the Board. We isolated principal reasons for our lack of success. Plans designed to overcome these problems and to exploit our strengths were framed by the Development Committee, discussed at Management Meetings and finally approved unanimously by the Board.

A new organisational structure is taking shape and new investment has been approved, designed to update our production facilities. A marketing approach is resulting in new merchandise ranges, the development of new trading areas and a greater penetration into our established market place. There is tremendous activity at the systems level designed to improve our efficiency, partly through computerisation and partly through a new management accounting and information system, as a basis for more effective control.

I am sure that like me, you will be wondering when all these plans will produce results. The reorganisation is already well under way and will, I estimate, be virtually complete by the end of 1979. I cannot promise you a substantial increase in profit in the current year when so much change is occurring but I have great faith that, given a reasonable economic climate, 1980 will herald a vast improvement in our fortunes.

Results in brief	1978	1977
Group Turnover	£23,858,797	£22,325,490
Group Profit before tax	£417,482	£817,082
Dividends	£123,816	£208,211

Group Companies: Abbotford Fabrics Ltd., The Banner Group of Companies: Wm. Chapman Ltd., Glen Fabrics Ltd., Harrow Fabrics (Int.) Ltd., Macaseta Ltd., Sparrow, Hardwick & Co. Ltd., Susy Ware & Co. Ltd., Uwin Sportswear Ltd.

**WILLIAM PICKLES & CO. LTD.**  
101 Portland St., Manchester M60 1EH

## Israel plans to extract uranium from phosphate

ISRAEL is planning to extract uranums from the Dead Sea as fuel for nuclear power plants, according to chemical industry officials. If experiments prove successful and Israel starts to produce uranium, the scheme could significantly reduce the country's dependence on foreign energy supplies.

The plan was disclosed when reporters were shown round new chemical production plant under construction near Sodom on the shores of the Dead Sea. Mr. Elyahu Teomin, Director-General of Israel Chemicals (ICL), said company scientists, together with the Israel Atomic Energy Commission, were checking the possibility of obtaining uranium as a by-product of phosphoric acid production.

Up to 80 tons of uranium could be extracted from the annual output of acid by the new plant, which is due to start operating in 1981. This would be half the amount needed to fuel a nuclear station of the size Israel might want to build in the 1990s. America's Freeport Minerals has a \$60m uranium recovery plant at its Uncle Sam phosphoric acid operation in Louisiana. First shipments of uranium oxide were made early this year from the plant. Sulphur and phosphate rock are taken to the plant where the rock is converted to acid which is then cycled through uranium recovery facilities.

Israel has been denied world aid in nuclear research owing to its refusal to sign the nuclear non-proliferation treaty. There have been Press reports in recent years about alleged Israeli operations to hijack ships laden with enriched uranium for Israel's two atomic research centres. Nuclear officials in Europe suggested last year that a ship which

disappeared in the Mediterranean carrying 500 tons of the material might have ended up in an Israeli port. Israel categorically denied the report.

The Israelis have long insisted they are not engaged in developing a nuclear arsenal, though experts believe the country has the expertise to produce atom bombs.

Atomic Energy Commission officials in Tel Aviv said that Israel was economically incapable of building an enriching plant that would turn yellow cake (uranium oxide) into atom bomb material. They said it would be necessary to ship the yellow cake abroad even to make it fit to fuel power plants.

Reuter

## LEICHAARDT TO SEEK GEMS IN NAMIBIA

Australia's Leichardt Exploration, an Adelaide-based affiliate of the Geomatrix-Conex group, plans to look for diamonds in South Africa in the hope of finding the primary kimberlites responsible for Atlantic coast alluvial deposits which are mined by De Beers Consolidated Diamond Mines of South West Africa.

Leichardt has informed the Stock Exchange of Adelaide that it has entered into an agreement to acquire a diamond project in Namibia. The concession is six farms in the district of Luderitz and Bethanle which are contiguous and measure a total of 120,000 hectares.

ACA Howe Australia have been appointed technical managers to the company under the direction of ACA Howe's Australian chairman, Mr. Peter Howe.

## Three directors removed from Five Oaks Board

THREE BOARD members of Five Oaks Investment, the property and housebuilding company which is recovering from serious losses, have been removed as directors following a poll.

They are Mr. Angelo Southall, the former chairman, Mr. Kenneth Richardson and Mr. Barry Lilley. The men have been replaced by nominees of Mr. John Peutherer, a dissident shareholder who controls around 26 per cent of the equity and who called for the poll at a special

meeting of the company last month.

The three new directors are Mr. Peutherer, Mr. "Eddie" Marshall who is also chairman of Midland Industries, and Mr. John Waldron.

In asking shareholders to reject Mr. Peutherer's moves, Mr. Southall had said that Mr. Peutherer was considering injecting his own residential and shop property portfolio into the company. He also proposed to close down the housebuilding side.

## SOCIÉTÉ NIGÉRIENNE D'ÉLECTRICITÉ (NIGELEC)

FINANCE FOR THE SONICHAR PROJECT

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This announcement appears as a matter of record only

مكتبة النخيل

## BIDS AND DEALS

## Evode shares suspended

Shares in Evode Holdings, which started the day at 41p, were suspended yesterday at 11.30 pending an announcement. Mr. Peter Wright, Evode's chairman and Mr. Andrew Simon, the company's vice-chairman and chief executive, were both under stood to be in London yesterday. Mr. Wright, formerly chairman and managing director of British Gas, took over at Evode last September following the death of the company's founder, Dr. Harrison Simon.

Mr. John Linnell, finance director, said yesterday interest in Evode had been expressed over the years but as far as he knew the firm had been agreed to be sold. Evode's latest results for the year to 30 September showed a pre-tax profit of £13.4m, a 31.4m increase on the £10.2m profit of the previous year. The figures, however, included a substantial second-half recovery.

## SUNDERLAND AND SHIELDS

Sunderland and Shields Building Society is acquiring the Shields-based Nelson and Premier.

This society has assets of £4.3m, reserve funds of £250,000 and a total of 3,300 members. Sunderland and Shields will now incorporate 15 societies.

## ARLEN ELECTRICAL

Arlen Electrical has exchanged conditional contracts to purchase Alan Stephens (Halesowen) for £420,000.

The price is to be satisfied by the issue of 538,450 ordinary shares at 78p each. Of these, 122,298 are to be placed with institutional clients of Harris Alderley and Stephens to realise some £150,000 cash for the vendors.

## Carlton Real Est. buys Spartan

Carlton Real Estate, formerly General Real Estate (Holdings), has bought Spartan Investments in a deal worth £181,000.

Spartan has a property portfolio which includes three shops and an office building in Liverpool. As at December 31, 1978, Spartan had net assets of £88,000, all properties being valued at cost and for the year ending December 31, 1978, reported a profit of £8,800.

Carlton has also acquired for a total consideration of £161,000 various residential, shop and office properties in South London, and a vacant unit situated in R. W. Woodhouse, in Blackpool. The property has now been let to a local multiple retailer for £11,000 per annum and refurbishment works are being carried out.

## KIRKBY MANUFACTURING

Shering-Plough Corporation has purchased Kirby Pharmaceuticals of Mildenhall, for an undisclosed amount in cash.

Kirby is a manufacturer of injectable and oral antibiotic drugs and veterinary medicines, a contract manufacturer for other firms and conducts its own pharmaceutical research activities.

## VICKERS/QUAY

Vickers, the engineering and metal fabricating group, has

acquired the products, design engineering sales operations of Quay Dynamics, rolling mill and metal forming specialists, in a deal worth £60,000. The value of the deal was incorrectly stated yesterday.

## SHARE STAKES

Rischi Tin Co.—Mr. Edward Solomon Nasser has acquired a further 10,000 shares, bringing his total holding to 970,000 shares (5.6 per cent).

Staffordshire Pottery—Temple Bar Investment Trust, a member of the Electra House Group, is now interested in 840,000 ordinary (9.8 per cent) after the purchase of £15,000 ordinary.

## J. Grant up in first quarter

First-quarter profits of James Grant and Co. (East) are ahead of the comparable period last year. Mr. H. Oppenheim, chairman, says in his annual statement. And it would appear the house furnishing group can look forward to another satisfactory year.

Taxable profits in the year to January 31, 1979, rose from £788,000 to £1,155,000, on lower turnover of £13.36m, against £14.41m.

Thomson McIntock, the auditors, say no depreciation is provided on freehold properties, contrary to SSAP 12. The directors consider freehold properties are fully maintained and are continually appreciating in value; and it would be unrealistic to provide depreciation.

The company has "close" status.

Meeting, Edinburgh, July 19 at 2 pm.

## ROTAFLEX

Rotaflex (Great Britain) has changed its name to Concord Rotaflex.

## Bunning chief sees increase in profit

PRELIMINARY BUDGETS indicate increased profitability within the Bunning Group, the London-based advertising agency, and profits should rise in the current year. Mr. Geoffrey Bunning, chairman, says in his annual statement.

As reported on May 31, pre-tax profits slipped from £814,572 to £768,148 in the year to March 31, 1979, on higher turnover of £28.44m (£26.1m).

The chairman says group agencies in the year under review suffered from industrial disputes at the beginning of 1979, notably a loss of revenue through the National Union of Journalists' dispute and the lorry drivers' strike. Further income was lost because of slimmer national newspapers. In all, these cancellations have been calculated to have cost more than £80,000 in net profit.

The reorganised London agency, however, has gained a number of new accounts and prospects are encouraging.

The Maidenhead agency has put on substantial new business with all the signs of continued good business, while the Bristol agency has expanded operations gaining a number of new accounts. Benefit from these is expected in the current year.

The Birmingham office

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are in the form of cash and the sub-dividends shown below are based mainly on last year's terms.

**TODAY**  
Interline—Lancet, Kilgour, SGA, Sobaby Parks, Bernal, Winterbottom Trust.  
Futures—Geo. Bassett, Carless Capel and Leach, Henderson-Kenton, Imperial Continental Gas Association, London and Midland Industries, A. Monk, Raxman.

**FUTURE DATES**  
Interim—July 19  
Final—Aug. 8  
Parama—July 19  
Bene Brothers—July 5  
Caledonia Inds.—July 5  
Dowry—July 19  
Fitch Lovell—July 26  
General Electric—July 17  
H.A.T.—July 28  
Inchcape—July 17  
Marston Thompson and Ever-shed—July 13  
Nover (Montague)—July 12  
Rohmann International—July 12  
Russell Brothers (Paddington)—July 12  
Sturtevant—July 12  
Textured Jersey—July 11  
United British Securities—July 10  
Wedington (John)—July 4  
Warner Holidays—July 8



## Ninth year of Record Profits

Specialist engineering group supplying wide range of industries

	1979	March	1978	
Turnover	£51.34m		£50.48m	up 1.7%
Pre-tax Profit	£6.16m		£5.55m	up 11%
Earnings per Share	11.8p		10.6p	up 11.8%
Total net Dividend	4.628p		4.152p	

Chairman, Mr. Thomas Kenny, FCA reports:—

- \* Against handicaps of bad weather in January and February and lorry drivers' strike a profit improvement of 11% to £6.16m is most satisfactory.
- \* Exports increased almost 10% to £6.41m.
- \* Profit margins improved, resulting from sustained programme over the years of modernisation of plant and machinery.
- \* Further programme of capital expenditure for 1979/80.
- \* Financial condition remains excellent.

Principal members of the Group			
<b>Steel Stampings</b>	Commercial vehicle wheels and heavy pressings	<b>Allspeeds</b>	Variable speed drives
	Pressure vessels	<b>Webtool</b>	Industrial hydraulic jacks
<b>Drury Engineering</b>		<b>Hydraulics</b>	Iron castings
<b>Barlow &amp; Chidlaw</b>	Gear cutting	<b>James Raistrick &amp; Sons</b>	
<b>Musgrove &amp; Green</b>	Tanks and cab bodies	<b>Andrew Denholm</b>	Bakery ovens
<b>Welders N.V.</b>	Specialised welding	<b>Machines</b>	Mixing equipment and gear cutter sharpening machines
<b>Midland Bright Drawn Steel</b>	Bright bar	<b>Collette N.V.</b>	
<b>A. E. Godrich &amp; Son</b>	Bright bar and wire	<b>Auto Wrappers (Norwich)</b>	Wrapping and packaging machines
<b>Hemmings</b>	Stainless steel wire	<b>Avera &amp; Grimsshaw</b>	Packaging machines
<b>M.C.L. &amp; Repetition</b>	Automatic turned parts	<b>Purdy Machinery Co</b>	Labelling and filling machines
<b>The Castle Engineering Co (Nottingham)</b>	Automatic turned parts	<b>Drum Closures</b>	Drum closing rings

Copies of the report and accounts are available from the Secretary



GEI International Ltd., West Street, Dunstable, Bedfordshire, LU6 1TA.

## ASSOCIATE DEAL

Bill Samuel Invest Management as associates of Jenks and Cattell, have purchased, on behalf of discretionary investment clients 120,000 Armstrong Equipment at 68p.

The Birmingham office

## Sheepbridge Engineering Ltd.

## Encouraging signs after a year of exceptional difficulties

The Annual General Meeting of Sheepbridge Engineering Limited will be held on the 26th July in London.

The following is an extract from the statement by the Rt. Hon. Lord Aberconway, the Chairman, circulated with the report and accounts.

Recommended Offer from Guest, Keen and Nettelfolds, Ltd.

Shareholders may have seen an announcement in the Press on May 26th of an offer, verbal at that stage, received on May 25th for the whole of the capital of the Company from Guest, Keen and Nettelfolds, Ltd. The offer of two GKN shares of £1 for every five Sheepbridge shares of 25p, represented a capital premium based on the market prices of the shares at the close of business on May 25th of nearly 70%, and an increase in income of over 45% based on the dividends of GKN for the year ended 31st December 1978 and those of Sheepbridge for the year ended 31st March 1979. The directors, greatly optimistic though they were, and as to the future of the Company on its own, nevertheless considered that, in the interests of shareholders, this was an offer which they should recommend. This they have done unanimously.

From the standpoint also of our employees at all levels the directors hope that shareholders will accept the offer. The increased strength given by belonging to a group some twenty times the size of Sheepbridge, and with widespread overseas con-

nections, should facilitate development of the activities of Sheepbridge and should enhance prospects of individual advancement.

The directors, in what is likely to be the last Chairman's Statement of Sheepbridge Engineering Ltd. as a quoted company, wish to place on record their appreciation of the help and support given to them and to their predecessors over the years by employees at all levels. Sheepbridge Coal and Iron Co. Ltd. in which the Company had its origins, was incorporated one hundred and fifteen years ago, and has throughout that time contributed appreciably to the growth and prosperity of British industry and technology. If, as seems probable, the activities of Sheepbridge will in the future form part of GKN, we could not have found a more sympathetic or more progressive background against which those activities will continue to advance.

**Results for the Year**  
The consolidated profit before tax for the year to 31st March 1979, was £4,466,000 compared with £5,560,000 for the previous year.

Our Interim Statement foreshadowed lower profits for the year. Even so, the outcome is particularly disappointing after the excellent progress achieved in recent years. The year was one of the most difficult since the Group was formed in 1948. The reduction in profits was due largely to factors beyond our control. As I said in our Interim Statement, strikes at many of our customers' works had interrupted and reduced our production schedules. In the event these troubles became even more accentuated in the second half of the year. There was in our own organisation a strike during the year at one of our establishments, which lasted for five weeks; and although in the second half of the year we had no major labour difficulties, problems and disputes arose from our employees' reaction to our firm compliance with Government pay policy.

To add to our difficulties, the national road haulage strike early in 1979 not only disrupted and reduced our own production and increased our costs; it also played

havoc with our customers' production schedules so that we were in many cases stopped from delivering.

Sales lost because of strikes, or indeed for any other reason, are, as a rule, seldom, if ever, made up. Last year proved the rule. Accordingly the value of our despatches in the financial year was only some 9% more than in the previous year; and so, after allowing for the effect of inflation, there was no overall increase in volume.

Summary of Results	1978/79	1977/78
	£000	£000
Sales to external customers	63,836	58,592
Group profit before taxation	4,466	5,560
Taxation	902	955*
Profit after taxation	3,564	4,605*
Dividends	1,690	1,515
Earnings per share	9.2p	13.1p*
Dividend cover (times)	1.9	3.0*

\*Restated following change in accounting policy for deferred taxation

The big reduction in demand for pistons and cylinder liners used in diesel engines for tractors and farm machinery, which started a year or more ago, continued for most of the year under review. In the last quarter of the year a welcome improvement became apparent in the demand from tractor engine manufacturers for engine components. There was also some growth in orders taken by Group companies not making engine components. These more recent hopeful signs, however, came too late to have any appreciable effect on the financial year to 31st March 1979 although, by enhancing our order books, they have given a better start to, and indicated an improved activity in, the current year.

These encouraging signs, coupled with results for the year which, in retrospect, could have been much worse, augur promisingly for the future. We believe that the market for internal combustion engines will improve further and that our expansion plans put in hand a year ago will prove to have been wisely conceived and timed.

The difficulties to which I have referred were not experienced by Hardinge Machine Tools Ltd., nor by Ritemixer Ltd., each of which had an excellent year.

**Dividends**  
In the circumstances of the offer from GKN, the directors decided to pay on 10th July 1979 a second interim dividend, in lieu of a final dividend, of 2.51p per ordinary share. This, with the earlier interim dividend of 2.233p paid on 1st January 1979 makes the total dividend for the year 4.743p and would have given, before the proposed change in Advance Corporation Tax announced by the Chancellor, a total dividend increase of 10%, in gross terms, for the year compared with the previous year.

**Taxation**  
In the 1979 accounts we have adopted the Accounting Standard on deferred taxation that was issued by the U.K. accountancy bodies in October 1978. In the consolidated balance sheet the sum of £6,745,000 has been transferred from deferred taxation to reserve; this, and the year's retained profit, have increased shareholders' funds to £27.8m and the net asset value per share to 78.6p.

**Conclusion**  
The year, as I have said, was difficult and this was not of our making. In the event we came out of it not too badly, sad though we were to see a reduction in profit. We remain confident in our management, our technical ability, our commercial expertise, and our manufacturing facilities. We believe that industrial relations in our main customers' businesses must and will be resolved: this country cannot afford otherwise. Despite our extensive export of engine components, we must remain, for that substantial part of our trading, largely dependent on the British automotive industry. Once the cloud of industrial strife is removed from the horizon of our main British customers, the sun should shine on our activities.

Our energetic management team has done splendidly in a year of exceptional difficulties and has shown its ability to take full advantage of any improvements in business trends. To this team, and indeed to employees at all levels who have striven to mitigate the tribulations of a difficult year, we give our thanks.

**SHEEPBRIDGE ENGINEERING LTD.**  
Chesterfield, Derbyshire, England.

## Our Customers

Machine Tool Industry	
4%	Oil and Chemical Industries
4%	Aerospace Industry
4%	Marine and Stationary Diesel Engine Manufacturers
7%	Public Utilities and Nationalised Industries
7%	Car Manufacturers
10%	Quarry and Construction Industries
12%	General Engineering Industries
23%	Diesel Engine, Commercial Vehicle and Tractor Manufacturers
28%	Automotive Component Manufacturers

## Pegler Hattersley 1979

- Sales increased by 10% to £95.8m. World markets continued to be very competitive, but rising expenditure on home improvements brought a welcome recovery in demand for building products.
- Profit from trading operations improved substantially, and the upward movement in copper prices resulted in an additional gain on metal stocks. Results from associated companies, on the other hand, were less good. Group profit overall rose by £1.6m to £14.2m.
- Earnings per share increased by 19% to 31.1p.
- In manufacturing, the new continuous casting plant at Doncaster came into operation in the year and work began on a major project for modernisation and expansion of the Ormskirk iron foundry.
- "Present order books are good. It is difficult at this stage to predict the outcome of trading in the current year, though I would expect us to maintain our position in the trade and to improve it if that is at all possible."

### SUMMARY OF RESULTS

	1979	1978
	£000	£000
Profit before tax	14,210	12,581
Profit after tax	9,130	7,669
Earnings per share	31.1p	26.1p
Dividend per share (net)	8.581p	7.685p



J. M. Harrison (Chairman)

Copies of the full report and accounts are available from The Secretary, Pegler-Hattersley Limited, St. Catherine's Avenue, Doncaster DN4 8DF.

INDUSTRIAL VALVES • DOMESTIC PLUMBING FITTINGS • RADIATOR VALVES  
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FABRICATIONS AND DESALINATION EQUIPMENT

## The dilemma over local government spending

BY MICHAEL COWAN

ACTIONS undoubtedly speak louder than words, and by announcing a firm intention to reduce the local authorities' rate support grants in the current year by £300m when the final calculation is made in November, the Government has certainly acted. The rest, however, at this stage is mere words.

The Chancellor's budget cuts on the expenditure side fall almost wholly on capital, and so far as councils are concerned are for the most part the traditional paper cuts with little real effect. The largest single cut is £270m (including land acquisitions) on council house building, which the Government itself admits is merely the elimination of an over-provision in allocations brought to light by consistent underspending in the past couple of years, plus an £85m cut in municipalisation offset by a £100m increase in improvement grants. The net real effect on councils is probably a cut of £25m in capital—about one-half being reductions in education—and nothing at all in current spending.

However, the Government has asked councils to reduce their current spending by 3 per cent below the £12.04bn relevant expenditure accepted by the Government in the 1978-80 rate support grant settlement last November.

Since local authorities traditionally budget for a level of expenditure above the actual settlement figure—in 1978-80 by 3.5 per cent—the total cuts proposed by the Government represent 6.5 per cent of budgeted expenditure. Nevertheless, local authorities rarely spend the full budget amount.

For 1980-81 the Government has instructed the joint civil service/local authority association expenditure sub-groups to report on the consequences of cuts of 2.5 per cent, 5 per cent, and 7.5 per cent below the last public expenditure White Paper targets, which allowed for a real increase of 1.0 per cent. But nothing has yet been decided.

Given this background information, plus some official and unofficial figures, it is possible to produce the probable arithmetic of local finance for this year and next, as set out in the tables. The first column of Table 1 sets out the calculations behind last November's rate support grant settlement: total current spending was assumed to be around £12bn (1.5 per

cent up on the expected outturn for 1978-79) and inflation during the year was estimated—purely on the basis of Government policy rather than reality—at 8.35m. With a notional rate support grant of 61 per cent, the former Environment Secretary, Mr. Peter Shore, had hoped that councils would be able to hold their average domestic rate increases below 10 per cent by drawing on balances to the extent of £100m. Column two shows how councils actually budgeted: planned current spending is 3.5 per cent above the guideline and the provision for inflation £340m higher. Average domestic rate bills were increased by 16.5 per cent, leaving planned drawing from balances of nearly £500m to meet the shortfall.

Table 2 shows that, for once, councils as well as the Government have been unduly optimistic about the course of inflation in the current year: instead of extra cost of £1.18bn assumed by treasurers, the outcome is likely to be £1.5bn, or even more, if the comparability commission turns out to be generous.

### Stick to plans

If, therefore, councils stick to their expenditure plans they will have to increase their calls on balances by a further £260m, making a total of £750m out of the £1.4bn they are thought to have had available at the beginning of the year. Nobody, however, seriously believes that councils would have spent up to the limit of their budgets. In the light of recent experience, a reduction of £200m-£250m would have been likely, which means that even after the Chancellor's £300m cut they could have got by with the planned £500m withdrawals from balances. In short, so far as the current year is concerned, the effect of the Budget cut can hardly be thought of as disastrous. Column 3 of Table 1—the sort of figures likely to have been presented to the Chancellor—shows that if councils stick to last November's expenditure guidelines, then even with the substantially higher inflation now likely to be encountered and the cut in rate support grant, withdrawals from balances could be even less than budgeted.

The final column of Table 1 illustrates the sort of optimistic spending figures that the Environment Secretary must have had in mind when he called for

3 per cent cut in spending this year. Merely to have called for a cut of this order in councils' plans would have been decidedly weak, since it would amount to nothing more than a request to stick to last year's settlement figures. Hence the figures assume a cut of 8 per cent below the original target. On this basis, if they were achieved, councils would not need to touch their accumulated balances at all. This is unrealistic, however, and is better seen as a precursor to next year's settlement.

Table 3 gives some purely illustrative figures for the arithmetic of next November's rate support grant settlement. The Government is talking about cuts of 7.5 per cent below the current White Paper targets, so 5 per cent is perhaps plausible. Whether councils will comply after the past few lean years is much less certain.

Given the figures, however, a cut in notional rate support grant to 59 per cent from this year's original 61 per cent—likely to be an actual 58.5 per cent—would imply average domestic rate increases of 16 per cent. This is perhaps not unrealistic. The trouble is that in fixing the rate support grant, governments invariably face a dilemma that no modern Praxagoras has yet been found to resolve: if they hold down the rate support grant, councils may make up the shortfall from the rates—thus pushing the average increase up to unworkable (to the Government not least) levels; on the other hand, if to avoid this possibility they increase the grant, the councils may choose to levy the same rate increases and spend the money instead.

Hence the anxious speculation in local government circles that the Government might try to escape between the horns of the dilemma by either reforming the grant arrangements so as to allow it to publicise what individual councils' rate levies should be, or, worse, actually to legislate to take away councils' independence. Either course would destroy relations with council's generally and with the Conservative-controlled local authority associations.

Alternatively, the Government could raise locally determined sector borrowing allocations (severely cut by Mr. Shore) so that less capital need be charged directly to revenue. This would, however, increase the public sector borrowing requirement. Instead, the Government could increase domestic relief at the

Financial Times Tuesday July 3 1979

LOCAL AUTHORITY REVENUE ACCOUNT 1978-80

	Government guidelines Nov. 1978	Council's budget returns Nov. 1978	Possible outturns A	Possible outturns B
	£m	£m	£m	£m
At Nov. 78 prices				
Current expenditure	12,032	12,452	12,032	11,558
Capital ex-revenue	563	568	560	559
Inflation to outturn	835	1,175	1,470	1,470
At outturn prices				
Loan charges	1,383	1,412	1,412	1,412
Rate contribution to council housing	283	372	372	372
Interest receipts	156	195	195	195
Other	65	71	71	71
Total revenue	15,011	15,858	15,743	15,365
Less expenditure	9,126	9,149	9,161	9,161
Less Govt. grants	684	681	681	681
Less domestic relief	90	101	101	101
Less collection costs	6,279	6,798	6,798	6,798
Less net rates				
Reduction in balances	109	491	349	349

\* Possible outturns: A—if councils hold current spending to settlement level; B—if councils cut current spending to 3 per cent below settlement.

### INFLATION IN 1978-80

Effect in 1979-80

	Original cash limit	Possible actual cost	Effect in 1979-80
	£m	£m	£m
Teachers (April 79)	5%	185	10.8% plus 420
Professional and admin. staff (July) 5%	93	9%	170
Police (May) special	93	9%	145
Firemen (Nov.) 6%	25	8%	30
Manuals (Nov. 78) reduced hours	97	8%	175
Manuals (Nov. 79) 5%	45	9% plus	193
Prices			
	536	10%	1,133
	330	10%	420
Income adjustment	866		1,553
Net effect of inflation	31		29
Less councils' budget provis'n	835		1,518
Extra grant after £300m cut			305

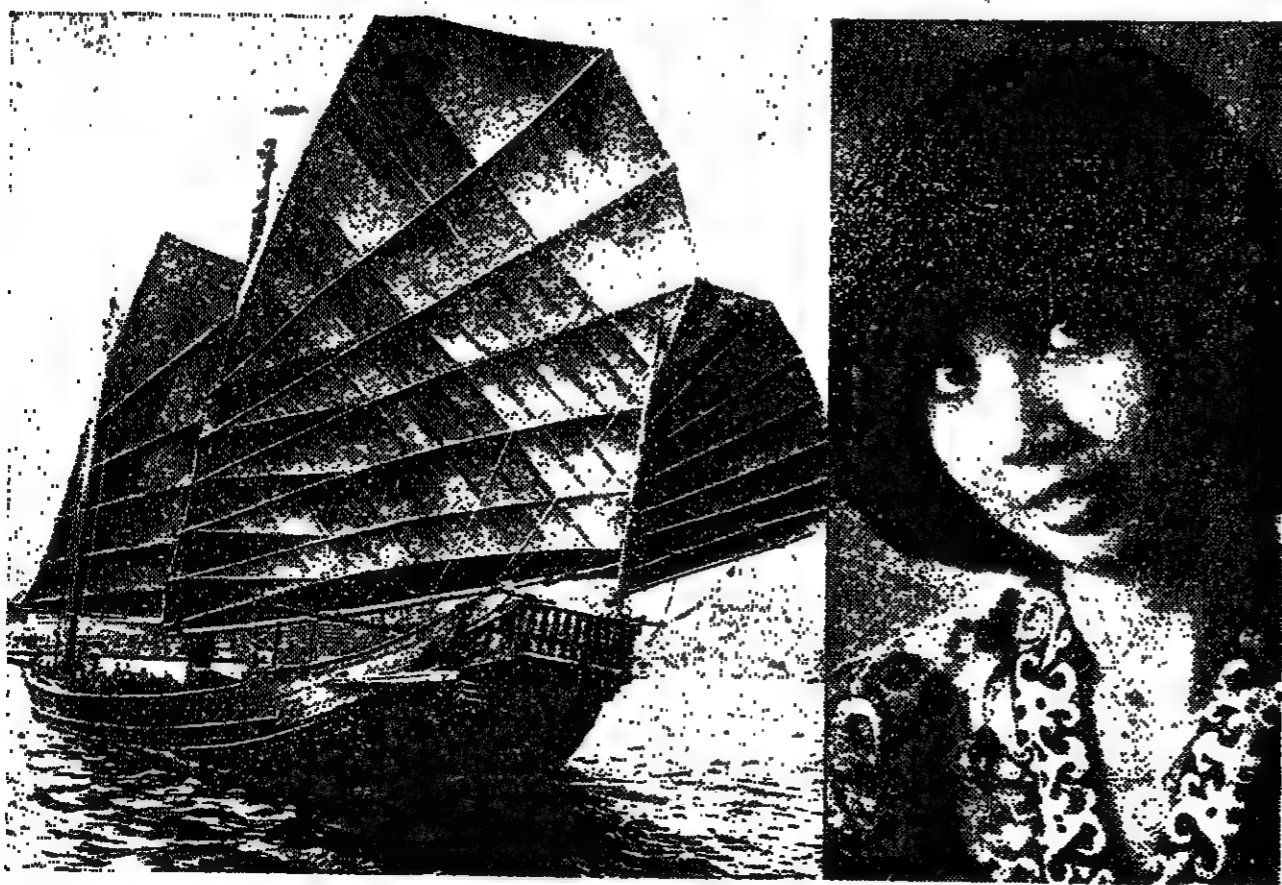
### EXPENDITURE, GRANT AND RATES: 1980-81

	At November 1978 prices	Current expenditure in 1979 White Paper plans	Capital ex-revenue	Inflation to outturn 1978-80	Less 5% cut	Inflation to outturn 1980-81 at 15%
	£m	£m	£m	£m	£m	£m
At outturn prices						
Loan charges	1,383	1,412	1,412	1,412	1,412	1,412
Rate contribution to council housing	283	372	372	372	372	372
Interest receipts	156	195	195	195	195	195
Other	65	71	71	71	71	71
Total revenue	15,011	15,858	15,743	15,365	15,365	15,365
Less Government grants at 59%	8,906	9,364	9,364	9,364	9,364	9,364
Add cost of domestic relief	90	101	101	101	101	101
Less collection costs	6,279	6,798	6,798	6,798	6,798	6,798
Rate requirement 1980-81						
Average general rate (1p-809m)						
Increase over 1978-80						
Average domestic rate						
Increase over 1978-80						

expense of commerce and industry, which would hardly be in accord with current fiscal policy, or actually reduce it so as to squeeze councils politically. In a nutshell, the Government faces a difficult settlement next year.

Michael Cowan is leader of the Labour group, Newark District Council, formerly chairman of the National Council for the Environment, and a member of the Nottinghamshire County Council 1973-77.

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LONDON JULY 9-20 1979

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This course was last held in 1978 and attracted substantial support from Britain and abroad. The suggestions of tutors and course participants in 1978 have been taken fully into account in preparing this year's programme and the sponsors believe its value will have been increased still further.

The course will be headed by a former finance director of a major industrial company and a merchant banker, and the panel of 22 distinguished lecturers are drawn from universities, commerce, accountancy and banking. The participants will be divided into study groups of fifteen people headed by a group leader. The ten days of instruction are broken down into lectures, case studies and various group exercises so that the students take an active part in the programme.

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هكمان الثعلب

# Pound strong

Starting continued to improve yesterday as high interest rates and Britain's move towards self-sufficiency in oil generated further demand. The U.S. dollar finished at around its best level for the day against many currencies, but only after continued Sterling opened at 2.1800, a rise of 0.0010, which probably signalled early activity by the central banks. However, by noon, further dollar sales had de-

for the day but was slowly bolstered to show a rise against the D-Mark to 1.8415 on Friday. The D-Mark rose to 1.8550 against the Swiss franc, the Japanese yen was also weaker with the U.S. unit improving to 2.1820 from 2.1775. On Bank of England figures, the dollar's trade-weighted index eased slightly to 85.0 from 85.1.

FRANKFURT — The dollar was steady around the D-Mark at DM 1.8415, compared with Friday's level of DM 1.8432, but was slightly above its opening level of DM 1.8380. The Bundesbank bought a token DM 2.4m at the fixing with intervention not in evidence at any other time.

BRUSSELS — The Belgian franc rose to 1.8415 against the D-Mark, unchanged from Friday, but still close to its floor level of 1.8400. The dollar's trade-weighted index eased slightly to 85.0 from 85.1. The Swiss franc was quoted at 1.8550, compared with 1.8525 on Friday. The Swiss National Bank was expected to have given around DM 2.4m in support of its currency, although sterling improved to 2.1820 from 2.1775, as did the Danish kroner to 5.5315 from 5.5300.

MILAN — The lire improved against the dollar but eased in a contrary trend against the U.S. dollar. The dollar was quoted at 2.1820 against Friday's level of 2.1800, a rise of 0.0200 points, and its best closing level for nearly four years.

TOKYO — The dollar improved against the Japanese yen to close at 2.1775, compared with 2.1717 on Friday.

## THE POUND SPOT AND FORWARD

July 2	Days spread	Close	One month	% Three months	%
U.S.	2.1800-2.1810	2.1800-2.1810	0.78-0.88 pm	4.83-1.70-1.60 pm	2.71
Canada	2.1800-2.1810	2.1800-2.1810	0.88-0.78 pm	1.88-1.78 pm	2.71
Belgium	64.15-64.70	64.56-64.65	20-100	2.78-60-60 pm	3.40
Denmark	1.8500-1.8575	1.8500-1.8575	35-35 pm	1.70-1.70 pm	2.25
W. Ger.	4.00-4.04	4.02-4.02	35-35 pm	3.70-60-60 pm	2.25
Portugal	166.70-167.70	166.50-167.50	30-30 pm	6.72-100-200	2.50
Spain	164.00-164.70	164.50-165.50	50-50 pm	2.07-60-60 pm	2.25
Italy	1.81-1.81	1.81-1.81	35-35 pm	1.08-1.22-22	0.55
Norway	11.00-11.13	11.12-11.13	5-30 pm	4.21-15-15 pm	0.52
Japan	8.28-8.28	8.28-8.28	35-35 pm	3.86-60-60 pm	2.78
Sweden	8.28-8.28	8.28-8.28	35-35 pm	1.83-60-60 pm	2.25
France	472-472	472-472	40-40 pm	9.33-1.85-0.55 pm	8.10
Austria	28.45-28.45	28.45-28.45	22-22 pm	6.89-63-63 pm	4.48
Switzerland	3.81-3.81	3.81-3.81	45-45 pm	12.88-12-12 pm	12.88

Belgium was not for convertible franc. Financial franc 97.60-1.70 pm. Six-month forward dollar 2.57-2.67 pm. 12-month 5.00-4.50 pm.

## THE DOLLAR SPOT AND FORWARD

July 2	Days spread	Close	One month	% Three months	%
U.S.	2.1800-2.1810	2.1800-2.1810	0.78-0.88 pm	4.83-1.70-1.60 pm	2.71
Canada	2.1800-2.1810	2.1800-2.1810	0.88-0.78 pm	1.88-1.78 pm	2.71
Belgium	64.15-64.70	64.56-64.65	20-100	2.78-60-60 pm	3.40
Denmark	1.8500-1.8575	1.8500-1.8575	35-35 pm	1.70-1.70 pm	2.25
W. Ger.	4.00-4.04	4.02-4.02	35-35 pm	3.70-60-60 pm	2.25
Portugal	166.70-167.70	166.50-167.50	30-30 pm	6.72-100-200	2.50
Spain	164.00-164.70	164.50-165.50	50-50 pm	2.07-60-60 pm	2.25
Italy	1.81-1.81	1.81-1.81	35-35 pm	1.08-1.22-22	0.55
Norway	11.00-11.13	11.12-11.13	5-30 pm	4.21-15-15 pm	0.52
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France	472-472	472-472	40-40 pm	9.33-1.85-0.55 pm	8.10
Austria	28.45-28.45	28.45-28.45	22-22 pm	6.89-63-63 pm	4.48
Switzerland	3.81-3.81	3.81-3.81	45-45 pm	12.88-12-12 pm	12.88

U.K. and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currencies.

## CURRENCY MOVEMENTS

July 2	Bank of England	Change	July 2	Bank of England	Change
U.S.	70.1	-35.1	U.S.	70.1	-35.1
Canada	85.0	-3.3	Canada	85.0	-3.3
Belgium	64.7	-1.7	Belgium	64.7	-1.7
Denmark	115.9	+13.5	Denmark	115.9	+13.5
W. Ger.	115.9	+13.5	W. Ger.	115.9	+13.5
Portugal	123.9	+2.7	Portugal	123.9	+2.7
Spain	123.9	+2.7	Spain	123.9	+2.7
Italy	190.1	+68.8	Italy	190.1	+68.8
Norway	123.9	+2.7	Norway	123.9	+2.7
Japan	64.9	-49.0	Japan	64.9	-49.0
Sweden	123.9	+2.7	Sweden	123.9	+2.7
France	123.9	+2.7	France	123.9	+2.7
Austria	123.9	+2.7	Austria	123.9	+2.7
Switzerland	123.9	+2.7	Switzerland	123.9	+2.7

Based on trade weighted changes from Washington agreement document, 1971 (Bank of England index=100).

## OTHER MARKETS

July 2	Bank of England	Change	July 2	Bank of England	Change
U.S.	70.1	-35.1	U.S.	70.1	-35.1
Canada	85.0	-3.3	Canada	85.0	-3.3
Belgium	64.7	-1.7	Belgium	64.7	-1.7
Denmark	115.9	+13.5	Denmark	115.9	+13.5
W. Ger.	115.9	+13.5	W. Ger.	115.9	+13.5
Portugal	123.9	+2.7	Portugal	123.9	+2.7
Spain	123.9	+2.7	Spain	123.9	+2.7
Italy	190.1	+68.8	Italy	190.1	+68.8
Norway	123.9	+2.7	Norway	123.9	+2.7
Japan	64.9	-49.0	Japan	64.9	-49.0
Sweden	123.9	+2.7	Sweden	123.9	+2.7
France	123.9	+2.7	France	123.9	+2.7
Austria	123.9	+2.7	Austria	123.9	+2.7
Switzerland	123.9	+2.7	Switzerland	123.9	+2.7

Rate given for Argentina is free rate.

## WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on July 2, 1979. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of an authorized dealer. Abbreviations: (A) approximate rate; (B) basic rate; (C) commercial rate; (D) domestic rate; (E) exchange rate; (F) financial rate; (G) general rate; (H) hotel rate; (I) international rate; (J) local rate; (K) local rate; (L) local rate; (M) local rate; (N) local rate; (O) local rate; (P) local rate; (Q) local rate; (R) local rate; (S) local rate; (T) local rate; (U) local rate; (V) local rate; (W) local rate; (X) local rate; (Y) local rate; (Z) local rate.

PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING	PLACE AND LOCAL UNIT	VALUE OF £ STERLING
Albania	10.249	Algeria	10.249	Angola	10.249
Andorra	10.249	Argentina	10.249	Australia	10.249
Armenia	10.249	Austria	10.249	Bahamas	10.249
Bangladesh	10.249	Bahrain	10.249	Barbados	10.249
Belarus	10.249	Belgium	10.249	Belize	10.249
Benin	10.249	Bermuda	10.249	Bhutan	10.249
Bhutan	10.249	Bolivia	10.249	Botswana	10.249
Brazil	10.249	Bulgaria	10.249	Brunei	10.249
Brazil	10.249	Burkina Faso	10.249	Burundi	10.249
Brazil	10.249	Cameroon	10.249	Canada	10.249
Brazil	10.249	Cape Verde	10.249	Cayman Islands	10.249
Brazil	10.249	Chad	10.249	Chile	10.249
Brazil	10.249	Colombia	10.249	Congo	10.249
Brazil	10.249	Costa Rica	10.249	Cuba	10.249
Brazil	10.249	Cyprus	10.249	Czechoslovakia	10.249
Brazil	10.249	Denmark	10.249	Dominican Republic	10.249
Brazil	10.249	Dominican Republic	10.249	Ecuador	10.249
Brazil	10.249	Equatorial Guinea	10.249	Egypt	10.249
Brazil	10.249	Ethiopia	10.249	Falkland Islands	10.249
Brazil	10.249	Falkland Islands	10.249	Fiji Islands	10.249
Brazil	10.249	Finland	10.249	France	10.249
Brazil	10.249	French Guiana	10.249	French Polynesia	10.249
Brazil	10.249	Gambia	10.249	Ghana	10.249
Brazil	10.249	Germany	10.249	Gibraltar	10.249
Brazil	10.249	Greece	10.249	Greenland	10.249
Brazil	10.249	Guatemala	10.249	Guinea	10.249
Brazil	10.249	Guinea-Bissau	10.249	Haiti	10.249
Brazil	10.249	Honduras	10.249	Hong Kong	10.249
Brazil	10.249	Hungary	10.249	Iceland	10.249
Brazil	10.249	India	10.249	Indonesia	10.249
Brazil	10.249	Iran	10.249	Ireland	10.249
Brazil	10.249	Israel	10.249	Italy	10.249
Brazil	10.249	Jamaica	10.249	Japan	10.249
Brazil	10.249	Jordan	10.249	Kampuchea	10.249
Brazil	10.249	Kenya	10.249	Korea	10.249
Brazil	10.249	Kuwait	10.249	Laos	10.249
Brazil	10.249	Lebanon	10.249	Lesotho	10.249
Brazil	10.249	Liberia	10.249	Libya	10.249
Brazil	10.249	Luxembourg	10.249	Madagascar	10.249
Brazil	10.249	Malawi	10.249	Malaysia	10.249
Brazil	10.249	Maldives	10.249	Mali	10.249
Brazil	10.249	Malta	10.249	Martinique	10.249
Brazil	10.249	Mauritania	10.249	Mauritius	10.249
Brazil	10.249	Mexico	10.249	Moldavia	10.249
Brazil	10.249	Morocco	10.249	Mozambique	10.249
Brazil	10.249	Nepal	10.249	Netherlands	10.249
Brazil	10.249	Nicaragua	10.249	Niger	10.249
Brazil	10.249	Nigeria	10.249	Norway	10.249
Brazil	10.249	Oman	10.249	Pakistan	10.249
Brazil	10.249	Pakistan	10.249	Panama	10.249
Brazil	10.249	Papua New Guinea	10.249	Paraguay	10.249
Brazil	10.249	Peru	10.249	Philippines	10.249
Brazil	10.249	Poland	10.249	Portugal	10.249
Brazil	10.249	Portugal	10.249	Qatar	10.249
Brazil	10.249	Romania	10.249	Rwanda	10.249
Brazil	10.249	Russia	10.249	Saudi Arabia	10.249
Brazil	10.249	Senegal	10.249	Sierra Leone	10.249
Brazil	10.249	Seychelles	10.249	Singapore	10.249
Brazil	10.249	Slovakia	10.249	South Africa	10.249
Brazil	10.249	South Africa	10.249	Spain	10.249
Brazil	10.249	Spain	10.249	Sri Lanka	10.249
Brazil	10.249	Sri Lanka	10.249	Sweden	10.249
Brazil	10.249	Switzerland	10.249	Taiwan	10.249
Brazil	10.249	Tanzania	10.249	Thailand	10.249
Brazil	10.249	Tanzania	10.249	Togo	10.249
Brazil	10.249	Togo	10.249	Tonga	10.249
Brazil	10.249	Tonga	10.249	Trinidad and Tobago	10.249
Brazil	10.249	Trinidad and Tobago	10.249	Tunisia	10.249
Brazil	10.249	Tunisia	10.249	Turkey	10.249
Brazil	10.249	Turkey	10.249	Turkmenistan	10.249
Brazil	10.249	Turkmenistan	10.249	Uganda	10.249
Brazil	10.249	Uganda	10.249	Ukraine	10.249
Brazil	10.249	Ukraine	10.249	Uruguay	10.249
Brazil	10.249	Uruguay	10.249	USA	10.249
Brazil	10.249	USA	10.249	Venezuela	10.249
Brazil	10.249	Venezuela	10.249	Vietnam	10.249
Brazil	10.249	Vietnam	10.249	Yemen	10.249
Brazil	10.249	Yemen	10.249	Zambia	10.249
Brazil	10.249	Zambia	10.249	Zimbabwe	10.249

\*This part of the French community in Africa formerly French West Africa or French Equatorial Africa. †Rate is the transfer market (controlled). ‡Rate is now fixed at 2 Barbados £ to the dollar. §Now one official rate. (U) United Rate. Applicable on all transactions except countries having a bilateral agreement with Egypt, and are not members of IMF.



DOLLAR INDEX (1972=100)

Source: U.S. Federal Reserve Board

Notes: The index is based on the U.S. dollar's value against a basket of major world currencies.

The index is calculated as the average of the dollar's value against the U.S. dollar, the British pound, the German mark, the French franc, the Japanese yen, the Italian lira, the Dutch guilder, the Swiss franc, the Canadian dollar, and the Australian dollar.

The index is published monthly by the U.S. Federal Reserve Board.

The index is available in both printed and electronic form.

The index is a useful tool for measuring the dollar's purchasing power over time.

The index is also used by economists to study the effects of monetary policy.

The index is a key indicator of the dollar's international value.

The index is a valuable resource for investors and analysts.

The index is a useful tool for understanding the global economy.

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## Companies and Markets

## Early 8.2 fall on Wall St. on oil worries

## INVESTMENT DOLLAR PREMIUM

\$2.60 to \$1.27% (30%)  
Effective \$2.185 61% (91%)

AS INVESTORS continued to worry about energy and oil prices, Wall Street retreated sharply after a wide front yesterday morning in fairly active dealings.

The Dow Jones Industrial Average was down 8.19 to 833.79 at 1 pm, while the NYSE All Common Index sustained a fall of 47 cents at 897.91. Declining

Closing prices and market reports were not available for this edition.

issues outscored advances by about a three-to-one ratio and turnover came to 21.7m shares compared with last Friday's 1 pm level of 24.7m.

The decline came despite the announcement from Saudi Arabia that it has decided to increase its crude oil production.

Analysts said Libya leader Muammar Gaddafi's recent statements about stopping Libyan oil exports underlines U.S. vulnerability to the actions of the oil-producing countries.

Also, President Carter stated that the latest OPEC price rises make a recession in the U.S. much more likely. Analysts, however, were divided on the impact this statement had on the market.

Energy issues were mostly fractionally lower, including

Amerasia Hess, Mobil, Exxon, Standard Oil of Indiana, Standard Oil of California, Texaco and Gulf. Atlantic Richfield slipped 51¢ to \$66.

However, Charter Company picked up \$1 to \$30, Standard Oil of Ohio 1 to \$56 and Occidental Petroleum 1 to \$22.

Among take-over situations, Harco's offer for 51¢ to \$191. The company said a preliminary injunction granted to halt Pacer's proposed tender offer for Harco's common stock may mean the end of the takeover bid.

Pacer on the over-the-counter market, eased to \$48 1/2 bid, \$49 offered from \$48 1/2 bid, \$49 offered at the close on Friday.

Pittsburgh Courier gained \$4 to \$36. Amoco-Pittsburgh, up 11¢ to \$181, said that it will make a tender offer for Pittsburgh Gorging at \$38 a share.

Parker Drilling, which reported lower profits for the third quarter, fell 21¢ to \$29.

THE AMERICAN SE Market Value Index relinquished 1.24 to 199.52 at 1 pm on volume of 2.25m shares (2.88m).

## Canada

Markets were closed yesterday for the Dominion Day holiday.

## Tokyo

After a firm Saturday half-day session, stocks closed mixed to fairly active yesterday.

The Nikkei-Dow Jones Average hardened 10.02 more to

6,283.14 and the Tokyo SE index edged up 0.21 to 47.50, while volume on the First Market section reached 360m shares.

Large-capital issues attracted support. Toshiba gained Y6 to Y164 on good earnings prospects, while Mitsubishi Electric put on Y15 to Y153. Mitsubishi Heavy Industries Y6 to Y170 and Nippon Koka Y5 to Y120.

Bearing Manufacturers rose on reports that General Motors of the U.S. has offered to buy bearings from Nippon Seiko on a long-term basis. Nippon Seiko moved sharply ahead in the morning, but subsequent profit-taking left a gain of only Y1 on the day to Y179.

Chemicals, Stainless Steels and Construction also scored gains, but Oils, Coals, Shipping Lines and export-oriented issues were inclined to decline.

Profit-taking and other liquidations.

Honda Motors retreated Y18 to Y543 and Toyota Motor Y10 to Y880, while Senryo Y50 to Y2,040 and TDK Electronic Y20 to Y170.

Arabian Oil shed Y250 to Y4,300 after reports that it will cut its crude oil supply to Japanese refiners by 18 per cent from this month.

## Germany

After a weak opening, stocks tended to pick up in quiet trading with a number of leading issues finishing with reasonable

gains on the day. However, the Commerzbank index recorded a net loss of 5.7 at 722.2.

Dealers attributed the early weakness to concern about the recent oil price rises announced by Geneva and fears of fresh surcharge announcements.

Traders seemed somewhat surprised by the later improvement and said this was mainly due to foreign buying.

The recovery was of mixed proportions, but with Electricals and Machines scoring broad gains. Siemens finished DM 1.70 higher, while KHD put on DM 3 and Mannesmann DM 2.

Among Motors, BMW gained DM 2 and Volkswagen DM 1.50, while Chemicals had BASF up DM 1.70.

In the Stores sector, however, Neckermann ended DM 4 down and Karstadt off DM 2.

On the Domestic Bond Market, Public Authority issues showed gains to 15 pfmegms but also some losses, ranging to 20 pfmegms. The Bundesbank sold DM 10.8m nominal of paper after sales of DM 15.1m last Friday.

## Paris

Source prices displayed a slight bias to lower levels in slow trading.

Brokers said the raising of the Call Money rate by 1/4 of a point to 81 per cent was partly responsible for sapping sentiment, while also making investors hesitant.

The weakness of the franc during the morning coupled with

the surge in gold prices.

Oils provided the day's stronger issues, especially Primagas, which had gained 10 per cent by the end of the day, and in which trading was suspended at one point because of a lack of selling orders.

Banks, Portfolios and Foods were also generally favoured, but Rubbers, Mechanicals, Hotels, Stores, Electricals and Chemicals mostly closed below last Friday's levels.

Significantly higher at the close were BCF, Rue Imperiale, Intelcom, Hachette, Printemps, Serey, Arjomari-Frion, Sallier and UTA.

On the downside were Ball Equipment, Alsacienne de Supermarche, L'Oréal, Michela, Facom, Pectin, Alsthom, Denain and Pierrefitte-Auby.

Australia

A fresh upsurge by energy shares again highlighted the generally firmer Australian markets yesterday. The Sydney All Ordinaries index rose 4.69 to 583.21, while the Metals and Minerals sub-section index advanced 42.12 to 807.20.

Uranium featured strongly after British Minister Mrs. Thatcher said that she expected European and Australian safeguards differences will be sorted out to pave the way for exports of Australian uranium.

Gold issues showed no decided trend after a thin trade, with dealers noting that market shares were being quoted ex-dividend.

## Amsterdam

Narrowly mixed after quiet trading.

Stocks in the international sector were fractionally lower, reflecting in part an earlier dollar on the foreign exchange market. Royal Dutch Shell, which posted consistent gains a week ago in the wake of higher world oil prices, shed 30 cents to F1 147.00. Unilever was an exception however, moving up 80 cents to F1 126.30.

Turnover was relatively brisk in the bank and stock exchange, with business shows signs of improvement, but the shares eased 20 cents to F1 55.80.

Of the Coal groups, Thales put

on 5 cents to AS\$3.70, Utah 18 cents to AS\$4.00 and Coal and Allied 10 cents to AS\$6.70.

The Rundle oil shale twins eased from their day's highs after announcing share placements which will jointly raise AS\$1.0m, but Southern Pacific Petroleum were still a net 60 cents up at AS\$6.10 and Central Pacific 80 cents higher at AS\$15.00.

Elsewhere in the Mining sector, Metals Exploration, Metals, while Other Exploration improved 6 cents to 39 cents.

ANZ Banking were quoted ex-rights and ex-dividend at AS\$3.50, while following a major capital increase, while Other Exploration improved 6 cents to 39 cents.

Industrial shares were mixed to easier in light dealings.

Shahesburg

Gold issues showed no decided trend after a thin trade, with dealers noting that market shares were being quoted ex-dividend.

Mining Financials were little changed, but Diamond leader De Beers climbed 17 cents to R8.37 on local and overseas demand. Platinum was quietly firmer in line with iron markets, while Colliers were generally higher after recent profit-taking.

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## MONTREAL

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## NEW YORK

## Stock

June 29 June 28

Control Data 35 1/4 34 1/4

Computer Indus. 34 1/4 34 1/4

Corning Glass 34 1/4 34 1/4

Crane Co. 29 1/4 29 1/4

Crocker Nat. 35 1/4 35 1/4

Crown Zellerbach 35 1/4 35 1/4

Cummins Engine 35 1/4 35 1/4

Dana 35 1/4 35 1/4

Danaher 35 1/4 35 1/4

Deere 35 1/4 35 1/4

Detroit Edison 35 1/4 35 1/4

Diamond Shamrock 35 1/4 35 1/4

Digital Equip. 35 1/4 35 1/4

Disco (Walt) 35 1/4 35 1/4

Eastman Kodak 35 1/4 35 1/4

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Eaton 35 1/4 35 1/4

E. I. du Pont 35 1/4 35 1/4

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# Supplies of wheat adequate

By Our Commodities Editor

WORLD WHEAT supplies should be adequate in the 1979/80 season despite an expected 7 per cent cut in the harvest, the International Wheat Council said yesterday.

In its latest report the IWG forecasts world wheat supplies at 400-410 million tonnes in the current season compared with 411.7m in 1978/79. Consumption in 1979/80 is projected at 420m tonnes.

Most of the immediate pressure on wheat is expected in western and eastern Europe, where stocks will be low following the bumper 1978 crop. These stocks should enable producers to meet their immediate needs, but the report says that the ability to ship the extra quantities appears to be in question and the report says most of the forecast increase would have to come from the U.S. wheat, wheat and coarse grain exports are projected at about 100m tonnes, which would set a new record.

But fuel difficulties could hinder U.S. exports, the IWG warned.

Rising wheat prices and oil-induced increases in transport costs may cause some countries, especially non-EU producers, to reduce their wheat imports.

The report noted, however, that in similar circumstances in the mid-1970s, when high prices cut food availability, many developing countries increased their commercial purchases.

Even if world trade does increase, the report says, wheat stocks should not fall to abnormal levels. The report put 1979/80 carry-over stocks at 35m-36m tonnes against 34.7m a year earlier.

For the Middle East, the report said, the Ministry of Agriculture still estimates the cereal production at 27.1m tonnes in the 1979-78 crop year.

# Potato duty cut welcomed

By Our Commodities Editor

CYPRUS GOVERNMENT officials have welcomed the EEC's decision to grant a 20 per cent reduction in the common customs tariff for 50,000 tonnes of Cyprus potatoes shipped to Common Market countries (mainly the UK) from May 15 to June 30.

# Heavy falls in London copper and tin prices

By JOHN EDWARDS, COMMODITIES EDITOR

THE RISE in the value of sterling and pessimism about future demand prospects, brought a general fall in values on the London Metal Exchange yesterday.

Copper was badly hit, with cash contracts losing £37 to £102.50, the lowest level in 1979/80 is projected at 420m tonnes.

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# Cut in NZ butter levy likely

By MARGARET VAN NATTEN IN BRUSSELS

THE EEC's Dairy Management Committee is expected at its meeting on Thursday to cut the special import levy on New Zealand butter. The levy, which has been in force since 1973, is currently 100 ECU per 100kg of butter.

The committee is expected to cut the levy to 80 ECU per 100kg, which would reduce the cost of New Zealand butter by 20 per cent.

The committee is also expected to cut the levy on New Zealand milk powder from 100 ECU per 100kg to 80 ECU per 100kg.

The committee is also expected to cut the levy on New Zealand cheese from 100 ECU per 100kg to 80 ECU per 100kg.

# Farm deal worth £34m

By OUR COMMODITIES STAFF

BRITAIN WILL have a net benefit of £34m from the EEC farm price package negotiated in Luxembourg last month, Mr. Peter Walker, Minister of Agriculture, stated in a written reply to a Parliamentary question yesterday.

He said figures given by the EEC Commission showed that the 1.5 per cent price increase, changes in green currency rates, increases in the milk powder

# Colombia warns on coffee pact

By Our Commodities Editor

COFFEE PRODUCING countries would be forced to defend their economies if consumers did not participate in price stabilisation measures, Dr. Turbay Ayala, President of the Colombian Republic warned in London yesterday.

The Colombian president said that if consumers continued to consider it better to leave markets to the law of supply and demand the producing countries must conclude that they were not really interested in an international agreement.

Dr. Turbay Ayala said that Unctad was not a suitable forum for discussions on stock policy, which was the key to price stability. Individual commodity agreements were the cornerstone for co-operation between developed and developing countries.

The President said the time was ripe for the adoption of long-term policies. The recent frost in Brazil had affected an area hitherto frost-free, and the fact that it occurred in May raised the disturbing possibility of the frost striking again.

Because of the impetus of production provided by the frost, producers could soon find themselves with a lack of adequate instruments for dealing with an excess supply of coffee.

Coffee futures fell in London and New York yesterday, following reports of warmer weather in Brazil.

Cocoa prices also fell sharply, as a result of the stronger tone in sterling and reports that the new Ghanaian military regime had ceased executions. The September position on the futures market closed £49.5 lower at £1,586 a tonne.

# Molybdenum prices rise

By Our Commodities Staff

TWO U.S. companies have raised their prices for molybdenum products.

Amex Inc. announced in Greenwich, Connecticut, yesterday that it was lifting its domestic prices by 2.5 per cent with immediate effect.

This followed news on Saturday that increases by Duval Sales Corporation. Duval raised domestic prices by \$1.30 a pound, and export prices by \$0.70 a pound, effective yesterday.

# New deal for farm and food urged

By CHRISTOPHER PARKES

FARMING AND the food processing industries should stop dealing with one another at arm's length in an atmosphere of distrust, Sir Hector Laing, chairman of United Biscuits, said at the Royal Show, Stoneleigh, Warwickshire, yesterday.

Calling for a "new deal" in relationships between the two industries, he also demanded that the UK should work to try to implement a common food policy, rather than an exclusively agricultural policy.

The new deal would bring a better understanding of costs and necessary margins in the two allied industries.

The processor is not just a nuisance on the fringe of the farmer's world. He is the farmer's most important customer," Sir Hector said.

He urged farmers to work harder at marketing their produce. Since the UK had never been self-sufficient in food, growers had always found a ready market for all their output. But now Britain was in the European Community there was an urgent need for a change of attitude to combat competition from abroad, Sir Hector added.

"It is no longer enough to be highly efficient producers. It is obviously absurd to go on producing more of those foodstuffs already in surplus at prices higher than people inside the Community or outside it want to pay," he said.

Mr. Peter Walker, Minister of Agriculture, said that in two or three weeks he would announce the names of a four-man team charged with investigating and advising on the marketing of farm produce and food in Britain.

Ruling out officials of the farmers' unions and consumers

# Animal feed expansion

THE BIGGEST animal feed company in Britain, BOCM Silcock, is to spend £10m on expansion projects aimed at boosting output by 250,000 tonnes a year.

The new investment, which complements a £30m spending in the past six years, was "just the beginning" of a new phase of growth Mr. Chris Jemmett, company chairman said at the Royal Show, Stoneleigh yesterday.

Two new bulk feed mills are to be built at Penrith, Cumbria, and Bicester, Oxford, each with an annual capacity of 75,000 tonnes.

Output at the newly acquired Bradford, Leicestershire, will be more than doubled to 65,000 tonnes. And new plant

# Australia optimistic over meat exports

By RICHARD MOONEY

AUSTRALIA still hopes to win significant access for its meat products into the Common Market, Mr. Geoff Jones, chairman of the Australian Meat and Livestock Corporation said in London yesterday.

Mr. Jones, who was completing a six-week European tour, said he did not have "much joy" in his talks with the EEC Commission, but he saw the allotment of an extra import quota for 5,000 tonnes of beef cuts as opening a "crack in the door" which Australia will try to push wider.

He said before Britain joined the Community Australia used to send 100,000 tonnes of meat to the UK annually. Last year the total was only 12,000 tonnes.

Meat exports to Pacific Basin countries had risen dramatically, however, reaching around 600,000 tonnes last year. This year exports to the U.S. were likely to amount to 100,000 tonnes, with 30,000 tonnes going to Canada, Mr. Jones said.

Mr. Jones did not see a major expansion in the national herd,

# BRITISH COMMODITY MARKETS

BASE METALS			
COPPER	Standard	27.50	27.50
Spot	27.50	27.50	27.50
3 months	27.50	27.50	27.50
6 months	27.50	27.50	27.50
12 months	27.50	27.50	27.50
3 years	27.50	27.50	27.50
5 years	27.50	27.50	27.50
10 years	27.50	27.50	27.50
15 years	27.50	27.50	27.50
20 years	27.50	27.50	27.50
25 years	27.50	27.50	27.50
30 years	27.50	27.50	27.50
35 years	27.50	27.50	27.50
40 years	27.50	27.50	27.50
45 years	27.50	27.50	27.50
50 years	27.50	27.50	27.50
55 years	27.50	27.50	27.50
60 years	27.50	27.50	27.50
65 years	27.50	27.50	27.50
70 years	27.50	27.50	27.50
75 years	27.50	27.50	27.50
80 years	27.50	27.50	27.50
85 years	27.50	27.50	27.50
90 years	27.50	27.50	27.50
95 years	27.50	27.50	27.50
100 years	27.50	27.50	27.50
105 years	27.50	27.50	27.50
110 years	27.50	27.50	27.50
115 years	27.50	27.50	27.50
120 years	27.50	27.50	27.50
125 years	27.50	27.50	27.50
130 years	27.50	27.50	27.50
135 years	27.50	27.50	27.50
140 years	27.50	27.50	27.50
145 years	27.50	27.50	27.50
150 years	27.50	27.50	27.50
155 years	27.50	27.50	27.50
160 years	27.50	27.50	27.50
165 years	27.50	27.50	27.50
170 years	27.50	27.50	27.50
175 years	27.50	27.50	27.50
180 years	27.50	27.50	27.50
185 years	27.50	27.50	27.50
190 years	27.50	27.50	27.50
195 years	27.50	27.50	27.50
200 years	27.50	27.50	27.50
205 years	27.50	27.50	27.50
210 years	27.50	27.50	27.50
215 years	27.50	27.50	27.50
220 years	27.50	27.50	27.50
225 years	27.50	27.50	27.50
230 years	27.50	27.50	27.50
235 years	27.50	27.50	27.50
240 years	27.50	27.50	27.50
245 years	27.50	27.50	27.50
250 years	27.50	27.50	27.50
255 years	27.50	27.50	27.50
260 years	27.50	27.50	27.50
265 years	27.50	27.50	27.50
270 years	27.50	27.50	27.50
275 years	27.50	27.50	27.50
280 years	27.50	27.50	27.50
285 years	27.50	27.50	27.50
290 years	27.50	27.50	27.50
295 years	27.50	27.50	27.50
300 years	27.50	27.50	27.50
305 years	27.50	27.50	27.50
310 years	27.50	27.50	27.50
315 years	27.50	27.50	27.50
320 years	27.50	27.50	27.50
325 years	27.50	27.50	27.50
330 years	27.50	27.50	27.50
335 years	27.50	27.50	27.50
340 years	27.50	27.50	27.50
345 years	27.50	27.50	27.50
350 years	27.50	27.50	27.50
355 years	27.50	27.50	27.50
360 years	27.50	27.50	27.50
365 years	27.50	27.50	27.50
370 years	27.50	27.50	27.50
375 years	27.50	27.50	27.50
380 years	27.50	27.50	27.50
385 years	27.50	27.50	27.50
390 years	27.50	27.50	27.50
395 years	27.50	27.50	27.50
400 years	27.50	27.50	27.50
405 years	27.50	27.50	27.50
410 years	27.50	27.50	27.50
415 years	27.50	27.50	27.50
420 years	27.50	27.50	27.50
425 years	27.50	27.50	27.50
430 years	27.50	27.50	27.50
435 years	27.50	27.50	27.50
440 years	27.50	27.50	27.50
445 years	27.50	27.50	27.50
450 years	27.50	27.50	27.50
455 years	27.50	27.50	27.50
460 years	27.50	27.50	27.50
465 years	27.50	27.50	27.50
470 years	27.50	27.50	27.50
475 years	27.50	27.50	27.50
480 years	27.50	27.50	27.50
485 years	27.50	27.50	27.50
490 years	27.50	27.50	27.50
495 years	27.50	27.50	27.50
500 years	27.50	27.50	27.50
505 years	27.50	27.50	27.50
510 years	27.50	27.50	27.50
515 years	27.50	27.50	27.50
520 years	27.50	27.50	27.50
525 years	27.50	27.50	27.50
530 years	27.50	27.50	27.50
535 years	27.50	27.50	27.50
540 years	27.50	27.50	27.50
545 years	27.50	27.50	27.50
550 years	27.50	27.50	27.50
555 years	27.50	27.50	27.50
560 years	27.50	27.50	27.50
565 years	27.50	27.50	27.50
570 years	27.50	27.50	27.50
575 years	27.50	27.50	27.50
580 years	27.50	27.50	27.50
585 years	27.50	27.50	27.50
590 years	27.50	27.50	27.50
595 years	27.50	27.50	27.50
600 years	27.50	27.50	27.50
605 years	27.50	27.50	27.50
610 years	27.50	27.50	27.50
615 years	27.50	27.50	27.50
620 years	27.50	27.50	27.50
625 years	27.50	27.50	27.50
630 years	27.50	27.50	27.50
635 years	27.50	27.50	27.50
640 years	27.50	27.50	27.50
645 years	27.50	27.50	27.50
650 years	27.50	27.50	27.50
655 years	27.50	27.50	27.50
660 years	27.50	27.50	27.50
665 years	27.50	27.50	27.50
670 years	27.50	27.50	27.50
675 years	27.50	27.50	27.50
680 years	27.50	27.50	27.50
685 years	27.50	27.50	27.50
690 years	27.50	27.50	27.50
695 years	27.50	27.50	27.50
700 years	27.50	27.50	27.50
705 years	27.50	27.50	27.50
710 years	27.50	27.50	27.50
715 years	27.50	27.50	27.50
720 years	27.50	27.50	27.50
725 years	27.50	27.50	27.50
730 years	27.50	27.50	27.50
735 years	27.50	27.50	27.50
740 years	27.50	27.50	27.50
745 years	27.50	27.50	27.50
750 years	27.50	27.50	27.50
755 years	27.50	27.50	27.50
760 years	27.50	27.50	27.50
765 years	27.50	27.50	27.50
770 years	27.50	27.50	27.50
775 years	27.50	27.50	27.50
780 years	27.50	27.50	27.50
785 years	27.50	27.50	27.50
790 years	27.50	27.50	27.50
795 years	27.50	27.50	27.50
800 years	27.50	27.50	27.50
805 years	27.50	27.50	27.50
810 years	27.50	27.50	27.50
815 years	27.50	27.50	27.50
820 years	27.50	27.50	27.50
825 years	27.50	27.50	27.50
830 years	27.50	27.50	27.50
835 years	27.50	27.50	27.50
840 years	27.50	27.50	27.50
845 years	27.50	27.50	27.50
850 years	27.50	27.50	27.50
855 years	27.50	27.50	27.50
860 years	27.50	27.50	27.50
865 years	27.50	27.50	27.50
870 years	27.50	27.50	27.50
875 years	27.50	27.50	27.50
880 years	27.50	27.50	27.50
885 years	27.50	27.50	27.50
890 years	27.50	27.50	27.50
895 years	27.50	27.50	27.50
900 years	27.50	27.50	27.50
905 years	27.50	27.50	27.50
910 years	27.50	27.50	27.50
915 years	27.50	27.50	27.50
920 years	27.50	27.50	27.50
925 years	27.50	27.50	27.50
930 years	27.50	27.50	27.50
935 years	27.50	27.50	27.50
940 years	27.50	27.50	27.50
945 years	27.50	27.50	27.50
950 years	27.50	27.50	27.50
955 years	27.50	27.50	27.50
960 years	27.50	27.50	27.50
965 years	27.50	27.50	27.50
970 years	27.50	27.50	27.50
975 years	27.50	27.50	27.50
980 years	27.50	27.50	27.50
985 years	27.50	27.50	27.50
990 years	27.50	27.50	27.50
995 years	27.50	27.50	27.50
1000 years	27.50	27.50	27.50

# PRICE CHANGES

In tonnes unless otherwise stated.			
	July 3	July 2	July 1
Aluminium	27.50	27.50	27.50
Copper	27.50	27.50	27.50
Gold	27.50	27.50	27.50
Iron	27.50	27.50	27.50

# LONDON STOCK EXCHANGE

## Widespread and heavy demand for Gilts continues after-hours bringing rises to nearly three points

**Account Dealing Dates**  
**Option**  
**\*First Declara- Last Account**  
**Dealings Dealing Dates**  
 Jun. 18 Jun. 25 Jun. 25 July 10  
 July 2 July 12 July 12 July 24  
 July 16 July 25 July 27 Aug. 7  
 \*New time dealings may take place from 9.30 am two business days earlier.  
 Heavy and more widespread investment funds attracted by the remorseless advance in the pound flowed into Government stocks yesterday. Following exhaustion of the short-medium term tap on Friday, the remaining longer term tap ran out immediately dealings opened and inspired a general and progressive upsurge which continued after-hours and left longdated securities with extensive rises to nearly three points.  
 American support was deemed particularly impressive and domestic institutional operators also made their presence felt after their recent spell of inactivity. The combination quickly brought the announcement that official supplies of the £15-pd long tap stock Exchequer 13 per cent A 1989,

issued 11 days previously, were exhausted at 157, enabling the stock to be heavy and the price went sharply higher to 181 in late inter-office dealings.  
 Remaining high-coupon issues were not outdone and established good rises, while the shorts, recently held back by yield considerations, also moved up impressively. Perhaps significantly, there appeared to be underlying optimism that money market rates had reached their peak and a reduction in minimum lending rate from its current high crisis level might come sooner than recently envisaged.  
 The equity sections were slightly uncertain initially with sentiment affected by gloomy medium-term economic assessments, but leading shares improved on the back of the excitement in Gilts. Once again, however, quality buying of equities was missing and values eased from the best levels with the reactionary trend by dullness in shares of the major exporters.  
 News later that Saudi Arabia was to temporarily increase oil production found no reflection

in the market and the FT 30 share index, which had recorded a gain of 2.8 at 1 pm, closed a net 1.7 up at 475.1. Rises in all FT-quoted industries were to a majority of only five-to-four over falls.  
 Corporations went higher with the main funds and closed with gains extending to a point, while Southern Rhodesia bonds responded to the Prime Minister's hint that economic sanctions could be lifted by the autumn; the 2½ per cent 1985/70 stock jumped seven points to £78 and the 6 per cent 1978/81 rose five points to £113. In Foreign Railways, Antioch was raised 3½ to £25.  
 The possibility of further relaxations in exchange control regulations provoked fresh selling of investment currency and the premium fell 3½ points more to 27 per cent. Sterling's latest strength was also an adverse influence. Yesterday's SE conversion factor was 0.9301 (0.9084).  
 Activity in Traded options was well-distributed throughout the listed stocks and the number of contracts completed rose to 1,014, almost double last week's daily average of 581. Despite quiet equity business in the underlying stock, ICI options attracted 321 trades, while Land Securities continued in demand and recorded 155 trades.  
 Fairline Buses staged a highly satisfactory debut and, from an opening level of 98p, touched 102p following a fair amount of institutional interest before settling at 96p compared with the placing price of 80p. Phicom, the electrical and light engineering arm of Plantation Holdings, opened and closed at 49p, having meanwhile touched 45p.  
 Discounts buoyant  
 Reflecting the strength of gilt-edged, discount houses made further good progress with Union advancing 3p to 390p and Clive adding 2p to 108p. King and Shaxson added 4p to 73p, Cater Ryder 13p to 360p and Jessel Toynebe 3p to 74p. The majority of clearing banks met with late interest and finished with gains to 14p. Mercury Securities added 11p to 172p following the annual results.  
 Breweries closed with a slightly firmer appearance although the gloomy industrial climate precluded any appreciable amount of investment support. Whitbread hardened a penny at 125p ahead of Thursday's preliminary results, while Distillers put on 2 at 215p.  
 Building descriptions recorded

### FINANCIAL TIMES STOCK INDICES

	July 2	June 29	June 27	June 26	June 25	June 24	June 23	June 22	June 21	June 20	June 19	June 18	June 17	June 16	June 15	June 14	June 13	June 12	June 11	June 10	June 9	June 8	June 7	June 6	June 5	June 4	June 3	June 2	June 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	April 30	April 29	April 28	April 27	April 26	April 25	April 24	April 23	April 22	April 21	April 20	April 19	April 18	April 17	April 16	April 15	April 14	April 13	April 12	April 11	April 10	April 9	April 8	April 7	April 6	April 5	April 4	April 3	April 2	April 1	March 31	March 30	March 29	March 28	March 27	March 26	March 25	March 24	March 23	March 22	March 21	March 20	March 19	March 18	March 17	March 16	March 15	March 14	March 13	March 12	March 11	March 10	March 9	March 8	March 7	March 6	March 5	March 4	March 3	March 2	March 1	February 29	February 28	February 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## OFFSHORE AND OVERSEAS FUNDS

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# NOMURA

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London EC2Y 6 BL. Phone: (01) 606 3411, 6253

MINES—Continued						
AUSTRALIAN						
High	Low	Stock	Price	% chg.	Div. Yr.	Div. Ret.

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18	108	12			
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Tuesday July 3 1979

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## More bombs shake Spanish resorts

BY DAVID GARDNER

**BAQUE GUERRILLAS** yesterday exploded two more bombs in Spanish holiday resorts, and carried out a machine-gun attack on a night train from Paris to Hendaye. No casualties were reported.

Spain also suffered two other tragedies yesterday, coinciding with the start of the tourist season. Five people died and 20 were injured in an hotel fire in Palma, the capital of Majorca. Police have ruled out foul play. In central Spain, the town of Valdepeñas was devastated by sudden floods.

The machine-gun attack on the Puerta del Sol night express occurred near San Juan de Luz, in the French Basque country. The train was halted by a flaming barricade at the exit to a tunnel. When it stopped, two terrorists opened fire with auto-

matic weapons from either side, spraying the under part of the carriages.

Two bombs for which the politico-military wing of the nationalist guerrilla organisation, ETA, claimed responsibility, exploded in a hotel in Castellón, on Spain's east coast, and in nearby Peniscola, where the tourist office was destroyed. These brought the number of explosions in coastal resorts to 11 since last Wednesday.

In every case so far, up to two hours warning has been given. But on Saturday, a Belgian couple were seriously injured by an explosion in the southern resort town of Marbella, near the tourist complex of Puerto Banus. The couple had apparently remained on a secluded part of the beach, oblivious to police warnings.

The bombings are an attempt to force the Government into transferring more than 100 alleged ETA activists held in the maximum security prisons of Soria to jails in the Basque country.

Basque groups have frequently protested at conditions in the Soria, where incidents between prisoners and police are frequent.

The guerrillas extended the campaign of violence to the French Basque country on Saturday, when the subprefect's office in Bayonne was badly damaged by a powerful bomb, and the town was the scene of running street battles between CRS police units and Basque demonstrators.

The Basque nationalists want the right of asylum restored to Basques resident in France.

Since it was withdrawn by the French Government in February, French tourists have become favoured targets on the Spanish side of the border.

Arthur Sandles writes: The British are pressing ahead with their Spanish holidays in spite of the terror campaign. According to Thomson Holidays, there has been no fall off in bookings and no noticeable cancellations.

Last year Spain earned £2.2bn from tourism, almost one-third of all foreign exchange earnings.

Thomas Cook, Britain's biggest travel retailer, said there has been no effect on travel to Spain whatever apart from a few inquiries as to the safety of travel to that country.

It is normal practice in tour operating to run programmes normally unless companies are

advised to change their plans by the Foreign Office. It seems that situation is a long way off at present.

Cancelling a package tour shortly before departure can be expensive. Most tour operators insist on full payment and will not offer refunds. Only in the event of illness would money be offered back.

However, the testing time for the effect of the campaign on travel will come at the end of this month. This is when car touring traffic, often families with school age children, is at its peak.

This impulse market can change its plans quickly, moving to Yugoslavia, Italy, or the French coast. Many smaller hotels, particularly around San Sebastian and the Costa Brava, rely on this passing trade for their livelihood.

## Gormley gives warning to militants

BY CHRISTIAN TYLER, LABOUR EDITOR

**THE COAL** industry's strong position resulting from the world energy crisis should not be prejudiced by persistent militancy from the miners, Mr. Joe Gormley, president of the National Union of Mineworkers, said yesterday.

Mr. Gormley's message to the union's annual conference in Jersey was that the miners would fight for British coal at a time when big consumers, like the Central Electricity Generating Board, were trying to buy abroad. At the same time, miners were determined to stay at the top of the national earnings league.

But he warned the union's Left-wing not to rock the boat by taking a hard line on wages. Conservative policies or pit closures.

He said: "We must never give the people of Britain the

impression that, although we are in a growth industry, we are still acting as if we are under attack from every side.

"I don't know who we are trying to frighten. We are only frightening our possible customers whom we rely on to buy our coal."

In spite of his appeal for moderation, Mr. Gormley had scarcely sat down before the first political counter-attack of the week was launched.

The Yorkshire delegation successfully moved that a resolution from Durham concerning incentive schemes excluded from the agenda should be put back.

Mr. Gormley said that the incentive scheme was entirely a matter for local negotiation and that the resolution's demand for a formal link between bonus pay

and coal face rates was out of order. But he was defeated on a show of hands.

Moderation was not much in evidence when a hard-line wages resolution from the Left was drawn up for debate today demanding pay rises of between 30 and 65 per cent.

During his presidential address Mr. Gormley said that miners had reached the top of the pay league. "We will never allow them to slip from that position." But the union had to be ready to negotiate in the spirit of compromise without threatening confrontation every year.

Nonetheless, the wages resolution is likely to carry the customary warning of a national strike ballot if pay demands are not met.

The NUM president told the delegates not to use industrial

muscle for political reasons.

"That is the start of the slippery slope, which will not lead to Socialism but would inevitably bring about a Right-wing backlash to Fascism."

"No, we will keep our muscle to fight our industry problems and in the meantime try to show the British electorate what a ghastly mistake they have made in changing Government."

No amount of "huffing and puffing" by trade unions would alter the fact of a big Conservative majority in the Commons.

Mr. Gormley warned the Government, which he said was vulnerable to the lure of cheap coal imports, not to interfere with the long-term investment strategy for coal. Any interruption would be "catastrophic for Britain," he said.

## Chrysler peace hopes rise

By Arthur Smith, Midlands Correspondent

**HOPES WERE** rising last night that the strike threatened by 3,500 workers at Chrysler UK's Stoke engine plant, Coventry, might be averted.

Such an outcome would isolate the 2,000 employees at the nearby Ryton assembly factory, who walked out on Friday in protest at the company's offer to increase basic pay by 5 1/2 per cent.

At Stoke, where disruption to the £100m-a-year contract to supply components to Iran has caused extensive lay-offs and short time working, there is less enthusiasm for a confrontation. Workers are expected to vote at a mass meeting today, to give seven-days' notice of strike action. It is hoped stewards will be authorised to continue negotiations on a proposed new incentive scheme.

According to Chrysler management, workers could qualify quickly under the scheme for additional payments of around £5 a week.

The decision by Stoke workers is crucial, as the factory supplies engines and components for the Linwood plant, Scotland, which assembles the Sunbeam and Avenger models. Stewards at Linwood, though it has a reputation for militancy, are continuing talks on the annual pay deal, which was scheduled to take effect this year.

Chrysler UK taken over at the beginning of this year by Peugeot-Citroen, has already given a warning that strike action would almost certainly start a rundown in the size of the company.

## Weather

### UK TODAY

Dry, with sunny intervals in Eastern, Central and Southern England and S.E. Scotland. Mainly cloudy, with some rain or drizzle and fog patches, elsewhere.

London, E., S.E., Cent. S., and Cent. N. England, Midlands, Channel Is.

Dry, with sunny or clear intervals. Max. 20C (68F). Wales, S.W., and N. England, Isle of Man.

Sunny intervals. Drizzle or fog in places. Max. 18C (64F). N.E. England, Borders, Edinburgh and Dundee.

Mostly cloudy, bright intervals. Max. 17C (63F). Rest of Scotland, N. Ireland.

Mostly cloudy. Rain or drizzle with fog patches. Max. 17C (63F). Outlook: Mostly dry.

Worldwide	Y'day	Y'day
	midday	midday
Algeria	22	22
Algiers	24	24
Amman	18	18
Athens	28	28
Bahrain	21	21
Bombay	25	25
Buenos Aires	18	18
Calcutta	25	25
Cairo	22	22
Canton	18	18
Cebu	25	25
Colon	18	18
Hankow	25	25
Hong Kong	25	25
Kobe	25	25
London	20	20
Lyons	20	20
Manila	25	25
Medan	25	25
Meppen	18	18
Moscow	14	14
Munich	14	14
Nairobi	22	22
Osaka	25	25
Paris	22	22
Rangoon	25	25
Reykjavik	10	10
Rio de Janeiro	25	25
Rome	22	22
Singapore	25	25
Sourabaya	25	25
Taipei	25	25
Tokyo	25	25
Yokohama	25	25

## Midland switch from consortium strategy

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

**MIDLAND BANK** has abandoned its reliance on the consortium banking approach as the sole basis for its international expansion.

Mr. Malcolm Wilcox, one of Midland's chief general managers, yesterday admitted for the first time that the use of consortia alone no longer represented a viable international strategy for the UK banking group.

He was speaking only days after Midland announced the largest ever foreign bank takeover in the U.S., with the proposed £250m acquisition of the Walter E. Heller financial conglomerate.

Midland Bank has been the most committed of the major British banks to the use of consortia for international banking. Together with such large European banks as Deutsche Bank of Germany, Societe Generale of France, AMRO of Holland and Societe Generale de Banque of

Belgium, Midland is a member of EBIC, probably the most significant consortium banking club.

These banks represent each others' interests in their own countries. They hold joint stakes in banks operating in areas where the shareholder banks are not represented.

The largest bank owned by EBIC's principal member is European-American Banking, which took over the ailing U.S.-based Franklin National Bank several years ago.

Some bankers have been critical of the disadvantages in consortium banking, particularly the importance of shareholder co-operation. Once individual shareholders start developing their own international operations as well, difficulties may arise.

In EBIC's case, Deutsche Bank has its own operation in New York, while Midland is also represented in France. No other major British bank is so

dependent on the consortium approach as Midland. All now have their own international operations.

Mr. Wilcox said that Midland has always pressed for "increasing separateness" from its consortium interests. Other banks involved with EBIC realised that the world of international banking was changing. "Major European banks can no longer look only to minority stakes to satisfy their U.S. ambitions," Mr. Wilcox declared.

Mr. Wilcox said that since 1974 Midland Bank had determined on having two separate international banking strategies. The first was to continue with consortium banking, as a member of the EBIC club. The second was to develop the bank internationally by its own initiative.

"We have made it increasingly apparent to the other members that our own initiative was growing stronger and

stronger," he said. Midland would still maintain parallel strategies. But after Heller it was clear that the "own initiative" approach was now dominant.

The Midland management has decided on a number of geographical priorities for its international expansion. Apart from filling the major U.S. gap, other areas identified for investment included Australia and the EEC. There will also be "limited advancement" in South America, the Middle East and the Far East.

"Our objective is to be represented in every major world centre of the world, through a presence in Midland's name," Mr. Wilcox stated. He added there was always a possibility in the longer term that Midland would extend its own representation in other parts of the U.S. apart from Chicago where Heller's sole bank branch is based.

## Shut bakery to complain to Ombudsman

BY OUR BELFAST CORRESPONDENT

**PETER PAN BAKERIES**, the Belfast bread producer which closed with a loss of 390 jobs, is to complain to the Ombudsman about the Government's handling of financial assistance for the shut-down.

Mr. James Kennedy, the chairman, said in his final report to shareholders yesterday that, after the general election, the Government had withdrawn a previous offer to assist towards the closing down costs and towards underpinning share values.

Peter Pan had sold a London-derry subsidiary, but following the ending of baking in its West Belfast plant, it was unable to pay its creditors in full and both ordinary and preference shares had lost all value, he said.

The directors would refer the entire question of the Government's action in the shut-down to the Parliamentary Commissioner both in Northern Ireland

— in respect of Government and Department of Commerce involvement — and at Westminster, in respect of Treasury involvement.

Last December, Mr. Kennedy said, the Northern Ireland Department of Commerce, told the Ulster baking industry it was anxious to see capacity reduced by 12 per cent to 25 per cent and was prepared to negotiate with any bakery wishing to go into voluntary liquidation to underpin the shareholders to a reasonable extent after payments to creditors and other commitments had been met.

The company decided in January to cease baking. The decision was taken on the understanding that enhanced redundancy payments could be arranged through the Government and that there would be a benefit to shareholders because of a Government under-

taking about the value of shares.

After the election the company had pressed the Department of Commerce to meet its commitments under the scheme.

Mr. Giles Shaw, who had taken over as Industry Minister in Ulster, would not accept the company's argument that the Department was bound by the terms of the letter it had issued in December.

The Government was prepared to contribute towards closing costs only to a limited extent, Mr. Kennedy said. The directors were "shocked and distressed" by the failure of the Government to stand by the terms of the offer.

The Department of Commerce would not comment yesterday. Shares held by the directors and their families in Peter Pan, equal to 45 per cent of the issued share capital, are to be transferred to Isaac Andrews,

an Ulster flour milling company, which has an 80 per cent stake in the bakery.

The transfer will be at a price of 1p a share, and Andrews, as majority shareholders, will undertake to pay other creditors £1 in the £ and will minimise the company's deficit by selling the assets without liquidator's charges.

Andrews will purchase any other shares offered to it at the same price of 1p a share.

The remaining bakeries in Ulster, which will pick up Peter Pan's £8m-a-year trade, have provided £150,000 for enhanced redundancy payments to Peter Pan employees.

Peter Pan made trading losses of £762,000 in the five years to March 31, 1978. Although it recorded small trading profits in the following two years, its position rapidly worsened from the summer of last year.

Continued from Page 1

## Ladbroke accused

a document called "Casinos 1978 profit plan." It included a budget for research and marketing of £380,000 of which £37,500 was for dinners for guests.

He said the success of the scheme was demonstrated by turnover of the two casino subsidiaries rising more than £10m in 1977 and by their profit rising £3.7m to £3.4m.

Mr. John Mathew, QC, for Ladbroke, tried to have the matter of police corruption removed from the proceedings because he said some of the witnesses would be unwilling to speak while there was the possibility of police prosecutions hanging over them.

The court denied this application and also refused an adjournment for Ladbroke to seek the ruling of the divisional court.

The police also allege that people who were neither members nor bona fide guests habitually gambled at certain Ladbroke clubs and that Mr. Michael Lavelle, who obtained American clients for Ladbroke, gambled despite being an employee or agent of the group.

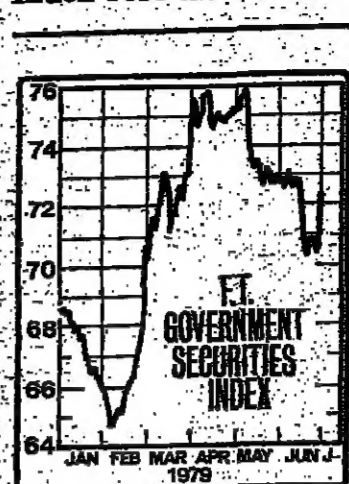
Mr. Lavelle is also alleged to have been released from some of his gambling debts in contravention of section 16 of the Gaming Act.

Ladbroke's shares fell 15p yesterday to 185p.

## THE LEX COLUMN

# Jumping the gun in gilt-edged

Index rose 1.7 to 475.1



The gilt-edged market followed up its recent strength most convincingly yesterday and has now done a thorough job of anticipating a lower interest rate structure. The remains of the long tap vanished at the opening, and fund managers were falling over themselves to get into the market ahead of any overseas buyers. Profit-taking was easily absorbed and the day closed with gains of up to £2, while the highest yield available has now come down to 12.8 per cent from 13.1 per cent.

This is not the first time that the market has pre-empted the official interest rate policy. It is unusual, though, for it to come far, particularly at the short end, where stocks are now yielding 2 1/2 points or so less than Treasury bills. If the rally is not to run out of steam, gilt-edged buyers will have to have their own way quite soon and see a fall in Minimum Lending Rate.

The trend of money market rates is obscured at the moment by the liquidity shortages created by purchases of the tap, as heavy calls are due this week and next. It is probably wrong to draw any conclusions from the Bank of England's relatively accommodating behaviour in the discount market yesterday. But the authorities have sold enough stock now to make the money supply figures look satisfactory for a few months to come, and may be able to sell some more if they pitch a new partly-paid stock alluringly.

Now that the market has taken its jump of faith, the forthcoming economic statistics hold few terrors for it. The June banking figures, for example, will seem prehistoric. But if the authorities were primarily concerned with controlling bank lending, rather than the money supply as a whole, when they raised M.L.R. to 14 per cent, they will be unwilling to lower the rate until they see evidence accumulating that the credit squeeze is working, which will take several weeks.

The market's bet is that sterling, which rose to 70.1 on the trade-weighted index yesterday and has come up 4 1/2 per cent since the Budget, will force the Bank's hand. After all few things heighten the attraction of sterling so much as a strong gilt-edged market to which the official brakes are being ineffectively applied.

**Mercury Securities** Mercury Securities has increased its dividend by nearly four times.

three-fifths—and still has one of the best covered pay-outs in the mercantile banking sector. Attritable profits for the year to March are up from £3.2m to £10.7m, and the main features are a very sharp recovery in metal trading and refining, and a strong performance at S. G. Warburg. The joint ventures with Paribas seem to have shown a dulish performance again, but the minority charge—which mainly reflects Paribas' 25 per cent holding in Warburg—is up by more than a quarter. It is clear that the bank was one of supply figures look satisfactory for a few months to come, and may be able to sell some more if they pitch a new partly-paid stock alluringly.

Meanwhile the balance sheet total has expanded by roughly a fifth to a little over £900m, and the disclosed capital base has shown a similar increase thanks in part to a write back of deferred tax amounting to £4.2m. Mercury's metal trading activities mean that it has been able to take advantage of stock relief, unlike most banking businesses, and there are likely to be more of these drawbacks in future years.

The upshot is that the bank retains a noticeably solid balance sheet, and the prospects for its income, which is Warburg's strong card, look reasonable for 1979-80. The U.S. associate is apparently doing better, while there is always the chance that the UK Government could put a little business Warburg's way given its plans for asset disposals. The shares have performed much better than the market as a whole for most of this year: they rose 1 1/2 to 17 1/2 yesterday, and the yield of over 5 per cent is covered more than four times.

## Gilt-edged indices

Headaches for the Actuarial. The New FT Actuarial gilt-edged indices were introduced in May, 1977, just when the Government in its inconvenient way started to issue partly-paid stocks. To date, these stocks have only been included in the indices from the date that they became fully paid—but a "correct" series has also been calculated incorporating them from their issue dates. The published indices have been brought into line with this correct series whenever the absence of any partly-paid stock in the market has made this possible.

There are now two problems. Early this year, several partly-paid stocks were issued at a time when the market was swinging violently, and this meant that the necessary adjustment from the published to the correct series—last made on June 20—has been much greater than in the past. The trouble is that the change cannot always be made in the same period of time as the market movement that created it.

Moreover, the calculation of even the correct series is itself a matter for debate. At the moment, it only includes the partly-paid element of these troublesome stocks, which necessarily makes the corrected indices more volatile during the partly-paid period. Some users argue that this element of gearing should be removed by incorporating from the date of issue an allowance for future calls. Still with us? Anyone with strong views should contact the chairman of the Index Committee, Mr. R. H. Phipps, at stockbrokers Capel-Cure Myers.

## Beecham

Beecham's report and accounts offer plenty of evidence of the group's financial strength. After last year's £83m rights issue it has £135m of net cash outweighing long-term debt of £132m, and a shareholding of 100m as against 150m of shares. Leaving aside the rights issue, Beecham financed the £14m acquisition of Scott and Bows and showed only a negligible cash deficit, even though profits only marked time.

There is nothing in the report to suggest, however, that Beecham is excited about the current year. The figures for the first half of 1979-80 are not generally expected to be up to much, and the shares are languishing around 580p, nearly 20 per cent below the levels of mid-May.

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